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# **JPRS Report**

# **China**

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**RED FLAG**  
No 19, 1 October 1987

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## RED FLAG

No 19, 1 October 1987

[Translation of the semimonthly theoretical journal HONGQI of the Central Committee of the Communist Party of China published in Beijing; passages in boldface as published]

### **The Overall Situation of Stabilizing the Economy and Prices Should Be Taken Into Account**

HK200705 Beijing HONGQI [RED FLAG] in Chinese  
No 19, 1 Oct 87 p 2

[“Forum”]

[Text] Maintaining the basic stability of market prices is a necessary condition for speeding up reforms and ensuring the stable development of the economy. This is also a task of top priority in all economic work and one that should be given much attention.

Taken as a whole, the economic situation is good this year. Industrial and agricultural production has registered steady growth, developments in light and heavy industries are basically in concert with each other, and the situation in foreign trade and exports is good. A prominent problem at present is that prices are unstable. There have been large-scale increases in the prices of a great number of capital and consumer goods. This is harmful to the healthy development of the economy or to the stabilization and improvement of the people's livelihood. If market prices are not basically stabilized, then economic structural reform will encounter great difficulties. Not only will it be difficult to put price reform measures into effect, but it will also be difficult to smoothly implement the contract responsibility system for enterprise operations. Therefore, controlling demand, stabilizing prices, and maintaining a balanced and steady development of the economy are a major task affecting the overall situation. Comrades in all areas and departments should have a unified understanding and opinion on this task and, taking account of this overall situation, do a good job in the fourth quarter of this year and make plans for the work to be done next year.

The key to stabilizing prices and the economy lies in maintaining a basic balance between the aggregate social demand and the aggregate social supply, and in establishing such a balance on the basis of a rational structure. This year the state has not adopted major measures to adjust prices. The large-scale price increases have resulted mainly from spontaneous increases in the market prices of grain and some raw materials. Many factors have led to these price increases, but basically speaking, the principal cause is that the aggregate social demand is in excess of the aggregate social supply. To alleviate this situation, which has emerged over the last few years and become quite prominent this year, it is necessary, in the course of reforms and opening up to the world, to stimulate the economy, further readjust the industrial

structure and product mix, increase the production of top quality brand-name products and other marketable products, and increase and improve the aggregate social supply. On the other hand, we should resolutely control social demand for investment and consumption. This is a problem that needs to be solved immediately. The rate of economic growth and the increase in the aggregate social supply have been very fast over the last few years. The disequilibrium between the aggregate social demand and the aggregate social supply has resulted from too much of an increase in investments in fixed assets and the expansion of the consumption fund. To stabilize prices and the economy, it is necessary to introduce a deflationary policy on credit and finance from this year to next year. As long as the commodity economy develops in a planned way, the balance between the aggregate social demand and the aggregate social supply will find expression mainly in the coordination between the increase in money supply and economic growth. Taken as a whole, the problem we are now facing is an excessive supply of money, which has resulted in the expansion of social demand and led to price irregularity. Only by controlling the supply of money through credit and finance can we restrain the already inflated demand for investment and consumption from expanding further and can we fundamentally prevent and eliminate inflation.

While making tight arrangements for credit, finance, and investment, we should, in line with the state's industrial policy, adjust the credit spending structure, the financial spending structure, and the investment structure by applying different types of treatment to different needs, such as ensuring important needs and reducing ordinary needs, with the aim of obtaining better benefits from the use of social funds. The implementation of a deflationary policy on credit and finance may possibly cause difficulties to some enterprises. But viewed from the entire situation, this practice will encourage enterprises to improve their operation and management, to stop ineffective construction projects and projects that are beyond the capability of the state, and to put an end to extravagance and waste. Only thus can we achieve a basic balance between aggregate social demand and aggregate social supply, markedly improve the socioeconomic environment, and smoothly carry out the policy of reforms and opening up to the world.

**Exercise Earnest Supervision Over Party Building**  
HK200530 Beijing HONGQI in Chinese No 19,  
1 Oct 87 pp 3-7

[Article by HONGQI contributing commentator]

[Text] With the deepgoing development of economic structural reform, the beginning of political structural reform, and the establishment of the system which separates the functions of the party and the government, how should we adapt ourselves to this new situation and strengthen party building in the course of reform and

opening up? This is a question to be seriously studied and solved by the comrades engaged in party work and theoretical research concerning party building.

In the new period, all party work should ensure the implementation of the party's line since the 3d Plenary Session of the 11th CPC Central Committee, and the realization of the four cardinal principles, the reforms, and the opening-up policy. This is the basic guiding ideology for party building at the current stage. To realize this basic guiding ideology, it is necessary for us to have a renewed spirit in party building. We should carry forward and perfect the party's fine traditions, work style, and rules and regulations; and reform those ideological concepts, management systems, and regulations not suited to the new situation, develop our strong points and eliminate the defects, and invigorate the party.

**To Strengthen Party Building in the Course of Reform and Opening Up, it Is Necessary To Exercise Earnest Supervision Over Party Work Under the New System of Separating the Functions of the Party and the Government**

Since seizing political power nationwide, our party has always wanted to exercise management over its own affairs. During the period immediately after the founding of the PRC, the CPC Central Committee and Comrade Mao Zedong criticized the phenomena of the party not exercising management over its own affairs, pointed out that no one took charge of party affairs when our party organizations developed, and warned that this trend was dangerous and must not be allowed to continue. At the Eighth CPC National Congress, Comrades Liu Shaoqi and Deng Xiaoping penetratingly analyzed the new tasks confronting it as the ruling party and pointed out the importance of the party exercising management over its own affairs. At the organization work conference held by the CPC Central Committee at the end of 1962, leading comrades repeatedly emphasized that party building is still one of our magic weapons during the period of socialist construction. The party in power should always pay attention to party building and never forget that the party must exercise management over its own affairs. In its instructions on the preparation of the "summary" of the conference, the CPC Central Committee grimly warned the whole party: "If the party does not exercise management over its own affairs, it will be impossible to implement the party's line, principles, and policies, and the party organizations will degenerate." These views are absolutely correct even when viewed from today's angle. Although the CPC Central Committee has constantly urged party committees to place party building in their regular work, the party committees have engaged themselves in daily economic work and endless administrative affairs. As a result, party building has been weakened rather than strengthened. Although we have tried many times to solve this question and carried out rectification on many occasions, we failed to achieve practical results. Some problems were solved in the three

and a half years of party rectification which started in 1983. However, we failed to put an end to the situation whereby the party was not exercising management over its own affairs in practical work. We also failed to eliminate bureaucratism within our party organizations and to get rid of corruption among party members.

Why could we not fundamentally solve the question for a long time? There are many reasons, but the most important one is that the functions of the party are not separated from those of the government within the system. If the functions of the party and the government are not separated, and if the party undertakes all government affairs, the party will inevitably get bogged down in trivial matters and have no energy to strengthen its ideological and organizational work. Naturally, there are also questions of understanding. Limited by the idea of "the party's unified leadership" after the founding of the PRC, we mistakenly regarded direct management by party committees over production, administration, and other work as the assumption of power. Instead of strengthening party building, we paid attention only to production and administration. When the party shifted the focus of its work some comrades said that if party committees did not exercise direct management over specific economic work and production, it would be tantamount to forsaking party leadership over the four modernizations; and if party committees did not exercise management over material, financial, and personnel affairs, the party would have no authority, its position would be downgraded, and its leadership would be lost. Instead of making further efforts to strengthen party building, party committees still adhered to administrative management methods and were fond of undertaking specific matters which were beyond their responsibility and which they could not handle properly. In recent years the vast rural areas have implemented the system of contracted responsibility based on household with payment linked to output, and urban enterprises have introduced the system of the factory director assuming sole responsibility and various forms of contract. As we failed to cause party organizations to adapt themselves to the new situation and improve party activity methods in switching from the old to a new system, we are again confronted with the fact that while the old methods are not working, the new methods are new to us.

By introducing political structure reform and separating the functions of party and government, the CPC Central Committee has created favorable conditions for us to put an end to the situation whereby the party does not exercise management over its own affairs and also set higher demands on party building. We must adapt ourselves to the new situation, raise party building to a new level, and ensure implementation of the party's basic line. This is a problem to be promptly and seriously solved by party organizations at all levels.

**First, we must enable party cadres, medium- and higher-level cadres in particular, to profoundly understand the importance and urgency of strengthening and improving**

**party leadership. They should also acquire new understanding of the functions and methods of leadership and party activities in the new period.** The purpose of separating the functions of the party and the government is to improve and strengthen, rather than weaken or abandon, party leadership. Our party is the core of leadership of the socialist cause. The party should exercise political leadership over state affairs, that is, exercising leadership in political principles, political orientation, and major policies. We should be firm and unshakable in this regard because only by doing so can we fundamentally ensure the smooth progress of reform and the socialist modernization program, and guarantee the long-term stability of the state. However the party cannot exercise direct management over state and social affairs, cannot undertake the work of mass organizations, and cannot perform the functions of state organs, enterprises, and institutions and their leaders. It is also extremely important to understand this point. Only by fostering this viewpoint can the comrades engaged in party work adapt themselves to the situation of reform and opening up, effect a corresponding change in the methods of party leadership and activities, and focus their attention on exercising management over political principles, political orientation, and policies, and on strengthening party ideological and organizational building.

**Second, gradually establish and perfect scientific work standards of party organizations at all levels.** The functions and the principal methods of political leadership of the CPC Central Committee will be further defined at the 13th CPC National Congress. Local party organizations should also conduct profound studies of the specific methods concerning separation of the functions of the party and the government, and of their terms of reference, leadership methods, and work regulations, and gradually establish clear and definite standards. The functions of party organizations in the enterprises, institutions, and leading organs have changed to ensuring supervision and supporting the chief executives in assuming overall leadership. To effectively realize these functions a current urgent task is to promptly sum up experience and work out specific plans for enterprise party committees, party organizations of leading organs, and basic level party organizations in rural areas which have implemented the new management system, and to carry out the party's propaganda, organization, and discipline inspection work appropriately.

**Third, readjust and strengthen the leading and administrative bodies in the party committee.** To meet the needs of separating the functions of the party and the government, party committee bodies should be readjusted correspondingly and the personnel engaged in party work should also be capable individuals. To strengthen the party's work under the new situation, we should send capable cadres to take charge of party work. It has been reported that a considerable number of cadres engaged in party work lack party knowledge and are not familiar with party work. This is also the case with comrades

selected from special technical posts on party committees. When the functions of the party and the government are separated, it is necessary to carefully select and train a number of cadres with good political qualities and relatively high policy and thinking levels, who are familiar with party building and are good at conducting party and mass work, and transfer them to strengthen the party committee leading bodies and work departments. Meanwhile, it is necessary to improve the qualities of cadres in charge of party work in an all-round manner so that a new situation can be created.

To strengthen party building in the course of reform and opening up we must study and solve many new problems. To date, research work concerning party building has not yet been placed on the agenda. Is not conducted in a unified manner, and it is still a weak link. To reform party building, we must be determined to put an end to such a state of affairs and pay close attention to party building and comprehensive research work.

**To Insist on the Party Exercising Management Over its Own Affairs Under the New Situation, it Is Necessary To Administer the Party Strictly and Build a Contingent of Party Members who Can Stand the Test of Power, Reform, and Opening Up**

Our party organizations have expanded considerably since the founding of the PRC. Today the party has a total of 40 million members. This contingent is good in general. The vast numbers of party members have earnestly implemented the party's line, principles, and policies since the 3d Plenary Session of the 11th CPC Central Committee; upheld the four cardinal principles, and adhered to reform and opening up in their posts; and have used their exemplary deeds to unite and lead the masses in moving forward. At the critical moment when the people's lives were endangered and their property encroached upon, many party members stood in the forefront setting an example for the masses, and were worthy of the glorious name of "communist". However, we should also be aware that a considerable number of members within the party are not yet qualified to be party members. There are still degenerates among them. Practice over the 30-odd years since the party assumed nationwide power shows that we are going through trials of power every day. Under the situation of reform and opening up, we still have to undergo new trials. Influenced by "leftist" ideas, some party members have been rigid in their thinking. Some party members, including a number of senior members, have failed to withstand the corruption of decadent bourgeois ideas. Lured by power and material gain, they are affected by individualism and have become degenerates. They have forgotten their revolutionary ideals and faith and scrambled for personal fame, power, and position. Imbued with bureaucratism, they showed no consideration for the interests of the state and the people. Infatuated with money, they tried by every means to undermine the foundation of socialism, and even lost their national and personal dignity in external economic contacts. All this shows that

stressing strict party administration is absolutely necessary to ensure that our party members can withstand the trials of power, reform, and opening up. In light of this new requirement, we should reform and strengthen party building in every facet of management over party members.

**It is necessary to be strict in conducting education among party members.** This is a fundamental measure to improve the quality of the ranks of party members. Under the situation of reform and opening up, we cannot put our party members in a hothouse and keep them away from decadent and ugly things. This increases the complexity and arduousness of our education among party members. Moreover, we should reform the contents, methods, forms, and means of our past education, pay more attention to practical results, and fundamentally increase the discernment, resistance, and immunity of party members. In practice, party organizations at all levels should adopt various flexible and vivid methods of conducting education in the party's line, principles, and policies, and in general knowledge about the party among party members and cadres. The education system, methods, and curricula in party schools at all levels should also be reformed correspondingly to meet the needs of the new situation. In light of the characteristics of party members working in different trades at various levels, it is necessary to compile party courses suited to the new period, and seriously solve problems concerning the position of, and the outlay on, party education. Leading cadres at all levels of the party shoulder heavy responsibility in this regard. The level of their understanding of theory and policy should be higher than ordinary members.

**It is necessary to strictly exercise management and supervision over party members.** With the deepgoing development of economic structural reform, the methods and scope of activities of a considerable number of party members have changed. For this reason the establishment and tasks of party organizations at the basic levels, and the methods of management over party members, should be readjusted and improved correspondingly. In localities and units containing party members, they should be organized so that they can take part in party activities and get help and care from the organizations no matter where they are. It is necessary to enforce inner-party life, conscientiously carry out criticism and self-criticism, and regularly listen to the views and opinions of the masses. Party organizations should have an intimate understanding of the thinking, work, and life of party members and assign some social work to them so that they can give full play to their exemplary role under the strict management of party organizations and the supervision of the masses within and outside the party.

**It is necessary to enforce party discipline.** Lax discipline and the failure to enforce discipline prevailed for some time within the party. To put an end to such a state of affairs it is necessary to earnestly guarantee the seriousness of discipline and thoroughly correct the vulgar style

of human feelings and relations transcending party discipline. Those who violate party discipline must be held accountable, irrespective of their rank. Leading cadres at various levels who violate discipline must be sternly punished. Regarding a handful of elements who have openly opposed the party's line since the 3d Plenary Session of the 11th CPC Central Committee; the bureaucrats who neglected their duties; and the degenerates who practiced graft, embezzlement, and extortion, gave and accepted bribes, and leaked state secrets and economic information, must be resolutely rooted out when discovered, regardless of their number. They should not be tolerated under any circumstances. They must not be allowed to remain within the party just because they do not belong to the contradictions between the enemy and ourselves.

**It is necessary to resolutely and appropriately solve the question regarding disqualified party members.** The party members who fail to fulfill their duties as party members, who refuse to take part in party activities, who are unwilling to accept the work assigned by the party, and who fail to mend their ways after repeated education should be persuaded to withdraw from the party. If they refuse to withdraw they will be expelled from the party. Those who do not want to continue their membership must be allowed to withdraw from the party. As this work is related to policy, it is necessary to work out specific policies and regulations on the basis of investigations and experiments conducted so as to stick to the requirements for party members, as well as dealing with each case on its merits. Instead of discriminating against those who have withdrawn from the party, we should encourage them to be good citizens. When they are qualified for party membership and want to join the party again they may rejoin.

**It is necessary to recruit new members in strict accordance with the requirements for party members.** Since the 3d Plenary Session of the 11th CPC Central Committee the quality of new recruits in general has been relatively good. By joining the party large numbers of outstanding elements have added new blood. In the course of recruiting new members however, there are some problems that should not be ignored. Some units and localities have failed to ensure quality and have lowered the membership requirements merely for the sake of quantity. Some units even violated the principles of the party and engaged in unhealthy tendencies. To correct and prevent these malpractices it is necessary to reestablish the guiding ideology and basic principle for recruiting members in the new period and earnestly put quality first. Since the 1950's, the "active and prudent" principle has been followed in recruiting party members. Many comrades say that this principle is flexible and difficult to follow in practical work. In light of the new tasks confronting the party and the situation of the ranks of party members, to sum up the positive and negative experience in recruiting party members since the founding of the PRC, it is necessary to regard "sticking to

standards, improving the structure, and ensuring quality" as the basic guiding ideology for recruiting party members in the years to come. Party organizations at all levels should put the focus of recruitment work on training, educating, and observing activists. In general circumstances the training and observation period should last 1 to 2 years. Prior to recruitment, party organizations at a higher level should conduct short-term training for ordinary workers and peasants as well as experts, scholars, noted personages, and leading cadres, so that they can understand the nature, tasks, purpose, and discipline of the party, and the duties and rights of a party member. Moreover, the methods of holding talks and listening to the views of the masses should be adopted in observing each applicant. Observation should be focused on their attitude towards the party's line, principles, and policies; their behavior in construction and reform and opening up; and whether the applicants are willing to dedicate themselves to the socialist and communist cause and to work for the interests of the people. Those who cannot win the trust of the majority of the masses should not be recruited. It is necessary to strictly follow the procedures of recruitment prescribed in the party Constitution, recruit a member only when he is mature, and genuinely recruit those who can withstand the trials of reform and opening up, who are qualified for party membership, and who are willing to keep themselves within the bounds of party regulations and discipline.

**It is necessary to earnestly strengthen building inner-party democratic system.** Through perfecting the system of inner-party democracy, we should give full play to the initiative, enthusiasm, and creativity of party members, and invigorate the party organizations at all levels. The building of an inner-party democratic system should be suited to the economic and political structural reforms. Leading CPC Central Committee comrades have repeatedly stressed that perfection of the party's collective leadership system should start with the central authorities. This is a correct conclusion drawn by summing up the party's experience over the decades, particularly the bitter lesson of the decade-long "great Cultural Revolution." How should we ensure the democratic rights of party members prescribed by the party Constitution? This question merits great attention. Due to imperfect systems and the ideological influence of feudalism, the democratic rights of party members prescribed by the party Constitution are usually encroached upon. Some leading cadres are used to the patriarchal behavior of "do as I say." Some even bear resentment and retaliate against those who hold different views, brutally trampling on the democratic rights of party members. To put an end to such an abnormal state of affairs it is necessary to make efforts in the following aspects: First, leading cadres of the party should genuinely foster a democratic viewpoint and get rid of privileged ideas. According to the democratic rights prescribed by the party Constitution all party members are equal, and no one has the right to go his own way and overstep such equal rights. It

is necessary to resolutely oppose the practice of suppressing democracy. He who violates the democratic rights of party members violates party discipline and must be punished according to party discipline. Second, party organizations should create conditions for party members to exercise their democratic rights and unclog the democratic channels so that party members have more opportunities to know and participate in inner-party affairs. We must encourage party members to offer advice and make suggestions concerning party work, and realistically criticize leading cadres at any level at party meetings. Moreover, these members should be protected even if their criticisms are wrong. Third, with the spirit of holding responsibility for the party's cause, every party member should actively practise the democratic rights granted by the party Constitution. It is necessary to overcome the idea of "never speak evil or good of a person and never offend anyone," be bold in exposing the contradictions within the party, and consciously safeguard the interests of the party and people. The supervisory system, election system where candidates exceed the number of seats within the party, and system of management over party members should also be established on the basis of investigations and studies so that we can gradually rule the party by party regulations, laws, and systems.

It should be noted that the stress put on the party exercising management over its own affairs and strict administration of the party in the course of reform and opening up does not mean a return to the "leftist" method of "taking class struggle as the key link" as in the past. Under the new historical conditions and the new leadership system we must vigorously reform every aspect of party building focused on economic construction, so that the establishment of organizations, contents and methods of party activities, and party work procedures will be suited to the situation of reform and opening up and have new vitality. Based on strengthening the building of inner-party systems and standards, we should exercise management over party work strictly in accordance with party regulations and laws. We must make strenuous efforts to regularly promote party building and put grasping ideological trends, conducting education, strengthening supervision, correcting party style, consolidating discipline, rooting out degenerates, recruiting outstanding elements, and observing cadres on the right course, in light of the established regulations and laws. A good job done in these aspects will enable us to break a new path of doing well in party building through reform, building systems, and regular work, rather than launching political movements.

#### **Several Problems Concerning the Strengthening of Party Building**

*HK270213 Beijing HONGQI in Chinese No 19,  
1 Oct 87 pp 8-12*

[Article by Xing Chongzhi [6717 1504 25350]]

[Text] We have realized more and more that the failure to separate the functions of the party from those of the government, the replacement of the functions of the

government by those of the party, and too much interference in administration by party committees at all levels are disadvantageous not only to bringing into play the initiative of administration and other sectors and economic construction, but also to the party's own building. Quite a few problems within the party have something to do with the situation of "the party failing to administer itself." Since the party formulated correct lines, principles, and policies at the 3d Plenary Session of the 11th CPC Central Committee, how to further improve and strengthen the party's leadership and how to properly carry out the party's own building centering on reform, opening up, and economic invigoration have become major problems that should be continuously studied in the new historical period and a major subject in the current political structural reform.

#### **It Is Necessary To Teach Party Members To Play an Exemplary Vanguard Role**

To strengthen the building of the ruling party, the essential thing is to upgrade the political quality of party members so that the vast number of party members can play an exemplary vanguard role. At present, the contingent of our party members is very large. For example, there are 2.94 million party members in Hebei Province, accounting for 6 percent of the province's total population. This percentage is slightly higher than the national average. If all party members can act in accordance with the party Constitution and properly play their role at their own posts, then the four modernizations will be carried out smoothly. In fact, however, quite a few party members in our contingent cannot properly play their exemplary vanguard role as demanded by the party Constitution. In particular, they cannot regularly play an exemplary vanguard role. Of course, there are many heroes and models within our party. In the counterattacks against the Vietnamese aggressors in the front line of Laoshan, in the fight against the forest conflagration in Daxinganling, and at many crucial moments of saving people's lives and state property, many Communist Party members have set an example in charging forward and fighting heroically. They are worthy of the glorious title of "Communist Party members" and should be praised and respected by the broad masses. That Communist Party members play an exemplary role at crucial moments is very important and commendable. We should always commend and publicize such heroic behavior. Meanwhile, we cannot evade the problem of quite a few party members failing to play their role or underestimate the seriousness of this problem. In the period of peaceful construction, which is different from a period of war, the masses observe Communist Party members' exemplary vanguard role mainly in labor, work, and study and evaluate Communist Party members' level of advancement based on how they deal with the relationship between public and private interests and with interpersonal relations. Therefore, under the circumstance of peaceful construction, we must particularly stress the problem of party members regularly and generally playing an exemplary role.

At present, there are indeed quite a few party members who mix with ordinary people or wish to gain benefit in everything but refuse to bear responsibility, thus seriously weakening the party's fighting power and damaging the party's reputation among the masses. There are many causes for such a situation. First, since our party has become the ruling party, there are no longer objective and natural restrictions on recruiting new party members as in war years. If a person wants to join the party under the conditions of war, he has to run the risk of death and must be ready to shed blood and sacrifice his life at any time. This is an objective and natural restriction on recruiting new party members. Since the party assumed power, in the environment of peaceful construction, some people have thought that joining the party is not dangerous and they could gain many benefits, so they have tried every means to join the party. Second, we have indeed not done well in recruiting new party members. Lenin's suggestion that it is better to admit qualified persons into the party than to recruit too many new party members is very correct. However, in the 30-odd years since the founding of the PRC, we have been disturbed by some erroneous things in recruiting new party members. For example, in the course of "joining the party at the battlefield" in previous political movements, some people with extra leftist ideas, some opportunists, and some people with evil intentions joined the party. As another example, some party organizations failed to adhere to the requirements for recruiting new party members, and some people joined the party with impure motives. In order to join the party, they either performed well during a certain period of time or established personnel connections and asked influential people to help them. It is not difficult to discern these people if we seriously solicit opinions from the vast number of party members and the broad masses and observe their words and deeds in accordance with the party Constitution. However, some of our party organizations have failed to do this. Some people have even curried favor with others and treated recruiting new party members as a gift to others and a deal. Third, in recruiting new party members, some party organizations have made their choice according to likes and dislikes of individual leaders. The phenomenon of envying capable people still exists in some areas where party organizations refuse to admit qualified comrades into the party but recruit unqualified ones. Fourth, since party organizations handle too much administrative work, they relax inner-party education and cannot regularly and purposefully conduct education in party spirit, policy, and the party's basic knowledge in view of party members' ideological problems. As a result of this phenomenon of "the party failing to administer itself," some party members who knew very little about the party's basic knowledge when they joined the party cannot promptly upgrade themselves; some party members who joined the party with impure motives cannot be effectively educated; and some party members cannot promptly correct errors in their ideological understanding. Thus, some unqualified party members have emerged within our party.

Comrade Liu Shaoqi once pointed out: "Without objective, natural restrictions, and if we fail to impose subjective restrictions, in other words, if we fail to upgrade requirements on party members and fail to strictly go through the procedure for recruiting new members, then a large number of backward elements, opportunists, and reactionary elements will sneak into the party." ("Selected Works of Liu Shaoqi," Vol 2, p 68) In the new historical period, how should we strengthen this kind of subjective restrictions and build the party still better? According to our experience, we must carry out the following: 1. We must do a good job in recruiting new party members. In recruiting new party members, we cannot adopt a closed-door attitude, but must act in strict accordance with the party Constitution. We must admit into the party those who are really qualified and must not downgrade standards. "Recruiting new party members in mass action" and "recruiting new party members as a rush job" are not serious and are extremely irresponsible practices. 2. We must strengthen education of party members, new party members in particular, in party spirit and the party's knowledge. Today, every party member must particularly raise his consciousness in implementing the party's line since the 3d Plenary Session of the 11th CPC Central Committee and work selflessly for the four modernizations. 3. We must persuade some party members, who cannot play an exemplary role after being educated repeatedly and even refuse to accept the party's education, to quit the party. Party members must be able to join or quit the party. This is a necessary measure to strengthen party building in the new period. If we do not implement organizational measures to deal with unqualified party members, then it will affect the upgrading of the political quality of party members.

#### **It Is Necessary To Bring Into Play the Central Role of Party Cadres in Implementing Policies**

Since the establishment of the party's correct line, cadres have been a decisive factor. This truth is known to all. But, for a long period of time, we did not seriously study the problems of what qualities cadres should have or how to ensure the cadres have these qualities. In Hebei Province, just like throughout the country, most party cadres are good or relatively good. However, eradicating and overcoming the long-standing influence of "leftist" habitual force on cadres and deepening the cadres' understanding of the party's line since the 3d Plenary Session of the 11th CPC Central Committee so they can actively and creatively implement this line remains the most urgent and important task for party organizations at present.

The line since the 3d Plenary Session of the 11th CPC Central Committee has two characteristics: one is upholding the four cardinal principles and the other is adhering to the reform, opening up, and economic invigoration. In implementing this line, we have often been disturbed by "leftist" and rightist things. Bourgeois liberalization is a disturbance from the right. In the whole course of opening up to the outside world and enlivening the domestic economy, we must continuously

conduct positive education in opposing bourgeois liberalization. In other words, we cannot use such oversimplified and rigid methods as "putting labels on people" and "coming down with the big stick upon others," but must make scientific analysis and criticism in a practical way and by reasoning things out, so that our cadres can truly distinguish between right and wrong in ideology and conscientiously resist the invasion of decadent bourgeois ideas and implement the party's line.

Nevertheless, we must realize that in adhering to the reform, opening up, and economic invigoration, more attention should be paid to preventing and removing "leftist" disturbances, because in the 20-odd years from 1952 to 1978, "leftist" guiding thinking occupied a dominant position in our party. In the course of the growth of our cadres, one generation after another, quite a few people were seriously influenced by "leftist" ideas and were familiar with "leftist" work methods. Just as Comrade Deng Xiaoping has said, when confronting problems, our cadres are apt to consider them from the "leftist" viewpoint. For example, some of our comrades always hold that the development of ownership should follow the road from small collectives to large collectives, and from large collectives to whole-people ownership. They also blindly seek reform of ownership with a higher and higher degree of public ownership regardless of practical possibility. They always have doubts over the coexistence of various economic elements, the leased management system, and the contracted management system, or even treat these as a retrogression and non-socialist things. Therefore, when faced with problems of this kind in their work, they usually do not act in accordance with the party's principles and policies, but consider problems from the opposite direction. Thus, they often adopt totally wrong methods in handling problems.

As seen from the ideological status of cadres in Hebei, this problem also exists. According to our analysis several years ago, the main problem among cadres was their "political obtuseness and conservative ideas." After several years of work, there have been some changes and there are not many who oppose the reform, opening up, and invigoration and the party's concrete principles and policies, but some cadres still set the planned economy against the commodity economy, equate distribution according to work with egalitarianism, and treat various practices beneficial to the development of the productive forces as capitalist things. Therefore, they cannot adapt themselves to the shift in focus of the party's work and the general principle and policy of the reform, opening up, and economic invigoration. When confronted with problems, they have worries of one kind or another and cannot jump out of the old patterns. Quite a few cadres can move ahead boldly in economic construction, but dare not advance forward in conducting reform. In particular, when they need to specify the policies of the central leadership and to bring into play their initiative, they are often heavyhearted and overcautious, for fear that they might have applied to them the label of "practicing capitalism."

We must also realize that previous political movements have brought about a mentality that it is better to practice "leftism" than rightism among cadres. It is of course correct "not to practice rightism." In fulfilling modernization, we must build socialism with Chinese characteristics and cannot indiscriminately copy Western things in an oversimplified way. But if some people think "leftism" is better than rightism, they are absolutely wrong. These people do not carry out their work according to the party's policies and practical situation, but always overdo things a bit to show they are "revolutionary" and "adhere to principle." For example, in fighting against bourgeois liberalization early this year, some people erroneously called for "going beyond" the so-called "limits" set by the No 4 Document of the central leadership. All this indicates that if "leftist" habitual force is not eradicated among cadres, it will be impossible to continuously implement the general policy of reform, opening up, and economic invigoration.

Essentially speaking, eradicating the influence of "leftist" habitual force on cadres' ideology means to solve the problem of how to understand socialism. Over a long period of time, we failed to know clearly what socialism is and how to build socialism; failed to realize that China is still in the initial stage of socialism; failed to fully understand the great difficulty that the influence of the feudal society of several thousand years, the semifeudal and semicolonial society of nearly one hundred years, and the economic foundation of "poverty and blankness" have brought to socialist economic construction; and failed to understand that developing social productive forces is the fundamental task for socialism. Instead, we often talked about and carried out reform of production relations by departing from the development of the productive forces. The criticism of "anti premature advance" in 1957, practicing the "people's commune" in 1958, "opposing rightist deviation" in 1959, and the 10-year "Cultural Revolution" were all due to a misunderstanding of socialism. In this process, many unnecessary things were added to socialism, and all the added things were continuously strengthened and spread among the cadres and the masses as characteristics of socialism. Consequently, some cadres have established habitual ideas and cannot get rid of the trammels of these ideas to this date. Under the new situation of reform and opening up, some comrades who resisted "leftist" mistakes or were even persecuted during a certain period in the past also consciously or unconsciously carry out their work according to old habits and patterns. Therefore, to change people's ideas and working methods that were formed under the "leftist" influence, we must strengthen education in basic Marxist theory; solve in theory the problem of how to understand socialism; strengthen the study of the lines, principles, and policies since the 3d Plenary Session of the 11th CPC Central Committee; deepen our understanding of reform and opening up; and profoundly study and understand a series of important ideas of Comrade Deng Xiaoping on building socialism with Chinese characteristics. Only thus, can we, in the historical process of

reform and opening up, overcome blindness, avoid vacillation, and conscientiously and creatively build the four modernizations.

Based on the above understanding, Hebei Province adopted some measures and made some efforts in the theoretical education of the cadres. In 1983, advocated by Comrade Gao Yang, the provincial party committee decided to organize leading cadres above the county level to write articles on the economy in connection with their experiences in reform and construction. Since the articles were theoretical explanations given by practical workers of the experience and bitter lessons in their work, they were fairly vivid and practical, which is not only conducive to reading but can also improve the writers. In 1985, the provincial party committee proposed a plan for spending 3 years in giving theoretical training to 1 million cadres in the province and also stipulated that principal leading cadres at prefectoral, city, county, and district levels should spend at least half a month every year in concentratedly studying theory and exchanging experiences in their work. After 2 years of practice, all the comrades who attended the study sessions felt that they had learned something. Of course, it is impossible to change cadres' ideology overnight, but the provincial party committee has decided to unswervingly carry on various study classes aimed at changing the cadres' ideology and deepening their understanding of the line since the 3d Plenary Session of the 11th CPC Central Committee. Thus, with the passage of time, the influence of "leftist ideas" among the cadres will gradually be eradicated and their Marxist ideological level will be remarkably upgraded.

#### **It Is Necessary To Strengthen the Building of Party Leading Groups at All Levels**

How to strengthen the building of party leading groups at all levels in the new historical period is an extremely important problem. For many years we used to understand that strengthening party leadership means more interference by party leading organs in routine work in administration and production. As a result, a serious phenomenon of failing to separate the functions of the party from those of the government and replacing the functions of the government with those of the party has appeared, and we have ignored the self-building of party leading organs, and of party leading groups in particular. People say that "it is better to build a good party branch than to give money and material objects." This reflects from one aspect the importance of building a good party leading group.

The central problem in the building of party leading groups is to increase the ability of party leading groups in leading party members and party cadres to implement the party's line, principles, and policies, and to upgrade their skills in fighting against various erroneous ideas under complicated circumstances, so that the leading groups can truly become a core in reform, opening up, and economic invigoration and in building socialist modernization. At present, party leading groups must lay stress on properly administering party members and party cadres.

According to the practice of our work, we must adhere to the following in building party leading groups in the new period.

1. The party must administer itself. Party committees must study how to lead the masses in implementing the party's line, principles, and policies; must be familiar with the situation in their own areas, departments, and units; and must know well the feelings of the masses. Party organizations must know more about the ideological situation of party members and party cadres, their feelings and difficulties in work, and then educate them purposefully by affirming correct things they do, pointing out and correcting their mistakes, putting forth tasks that they must fulfill during a certain period of time, and making clear working methods that should be adopted in fulfilling the tasks.

2. It is necessary to resolutely and correctly implement the policy of making cadres more revolutionary, younger, intellectual, and professional. The "four requirements" on leading cadres are an entity, and we should not stress one and ignore the other. Since the requirement of being more revolutionary is not as specific as the other three requirements and some comrades have one-sidedness in their understanding, so some areas have a tendency to neglect the requirement of being revolutionary. This must be corrected. In implementing the policy of adhering to the "four requirements", we must pay attention to building a rational structure of leading groups. On the one hand, the age structure of cadres must be rational. It is inappropriate that cadres all belong to the same age group; the cadres must belong to different age groups. On the other hand, the intellectual structure of the cadres must also be rational. A leading group must try to have talented people with different professional knowledge. The "four requirements" policy on cadres also includes as an integral part that leading cadres must be ready to accept higher or lower posts. If newly promoted young cadres have been proved unqualified in practice, they should be assigned to posts where they can play their role well. We must break with the old idea that cadres are not allowed to make mistakes and cadres can only be promoted and cannot be demoted.

3. It is necessary to educate and help every member of leading groups to firmly establish the idea of serving the grass roots and the masses. On the whole, in recent years leading cadres in the province have somewhat strengthened the sense of serving the people. Particularly in leading groups of factories, mines, enterprises, and those under the county level, the cadres have strengthened the idea that they are public servants and leadership means service. However, in some places, and particularly in some leading organs at higher levels, the cadres have not firmly established the idea of serving the people. In some departments and units, bureaucratism and officialdom not only exist but are also very serious. In dealing with some things that people at lower levels are eager to do and that should be urgently done and could be done,

cadres at higher levels often act slowly and shift responsibilities to others. To solve problems of this kind, we must conduct a reform of the political structure, separate the functions of the party from those of the government, delegate powers, streamline administration, establish the post responsibility system, and enforce party discipline and an inspection and supervision system. Meanwhile, we must educate leading cadres at all levels to establish the idea of serving the people. If leading cadres do not grasp the idea of serving the people, then their powers might degenerate into obstacles to arousing the enthusiasm of the grass roots and the masses. Over the past few years, our province has paid special attention to grasping the work of leading cadres, and particularly leading cadres of provincial organs, prefectures, and cities, strengthening the idea of serving the people. We have especially held meetings on exchanging experiences in provincial organs serving the grass roots, invited units that have done well in this field to introduce their experiences, and seriously criticized units that have done badly in this field. In addition, we have also asked principal leading comrades of all prefectural and city party committees to hold discussion meetings with responsible comrades of factories, mines, and other enterprises and to directly solicit their opinions and demands.

4. It is necessary to perfect innerparty democratic life and to strengthen democratic supervision. We also noticed that some leading groups were good in the past, but, due to lack of democratic life, their members failed to exchange their ideas for a long time and their different opinions on work could not be settled promptly. Thus, the members of these leading groups gradually became estranged, which resulted in small factions. Relatively good leading groups were finally in a state of disunity. To perfect innerparty democratic life, the important thing is to adhere to the party's democratic centralism. To adhere to this system, the principal members of a leading group must bear heavy responsibility. They must not personally decide on important matters, must not practice paternalism, and must not let just one person have the say. Otherwise, it would dampen the enthusiasm of other comrades. A sound democratic life in a leading group is also an effective form of mutual supervision. Because the members work in the same group, they understand each other well, can easily find problems, and can promptly remind others and carry out criticism and self-criticism. The reason some people made mistakes lies in the fact that when they started engaging in malpractices, they were not promptly and severely criticized by other members of the group. Only by continuously improving democratic life and strengthening democratic supervision, can we arouse the enthusiasm of everyone, can we pool the wisdom of every member of the leading group, can we make correct policy decisions, and can we have ease of mind. This will not only help strengthen the unity of the leading group but will also help overcome and correct unhealthy trends and practices in the leading group.

Many problems need to be studied, and ways to strengthen the self-building of the ruling party and ways to strengthen the party's work, especially after separating the functions of the party from those of the government, need to be explored. We are convinced that through our joint efforts, party building will be further strengthened.

**Opening to the Outside World Has Added Vigor and Vitality to Wuhan**

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[Article by Wang Qun, secretary of Nei Monggol Autonomous Region CPC Committee and formerly secretary of Wuhan Municipal CPC Committee]

[Text] Wuhan is located in the heartland and is one of our country's large inland cities. In May 1984, the central government approved Wuhan to carry out pilot projects in the comprehensive reform of the economic structure. Over the past 3 years and more, we have earnestly carried out the general guidelines and general policies of the 3d Plenary Session of the 11th CPC Central Committee on reform, opening to the outside world and invigoration. We have firmly insisted on starting from Wuhan's actual conditions, vigorously implemented opening, particularly opening to the interior, made use of opening to promote reform, and stimulated the city's vigor and vitality, enabling Wuhan to showcase its multifunctional role and to increase its own economic strength. From 1984 to 1986, the city's industrial and agricultural gross output value achieved an average annual increase of 11.2 percent; its GNP attained a progressive increase of 12.7 percent; and its national income, financial revenues and delivery of taxes and profits to the state all progressively increased by 11.2 percent, all of which greatly exceeded the level before the piloting. The reform has brought about intensive changes in the entire city's economic life, its social life, and its people's mode of thinking and spiritual outlook. Actual practice has attested to the complete truth of Comrade Deng Xiaoping's comments that "in carrying out socialist modernization we must implement the policy of opening to the outside world" and that "while opening to the outside world, we must also open to the interior." Without opening to the outside world and to the interior, Wuhan could not have achieved today's situation.

**Opening to the Outside World Is an Enormous Motive Force To Push Comprehensive Reform in Cities and Towns**

Under the long-lasting influence of "leftist" ideologies, there have been many drawbacks in the old economic structure of our country's cities and towns. It may be said that on each and every side and at each and every level reform is needed, but the old economic structures of the cities and towns constitute an entity whose parts are mutually related and mutually restrictive. Hence, in carrying out the comprehensive reform of the economic

structures of the cities and towns, we cannot do so according to our wishes, or by doing a little here and a little there, but must select a breakthrough point, orderly push forward and deepen the reform step by step.

In carrying out the comprehensive reform of the economic structure of Wuhan city, we started from two "breakthrough points" (in circulation and communications). In other words, we began with invigorating circulation and communications to draw open the curtain for the comprehensive reform. We did three principal things: First, we openly announced the abolition of the local protectionist policy, opened wide the gates of the three cities, welcomed guest merchants from inside and outside the country to come to Wuhan to trade, to set up businesses, and to introduce superior products from other areas to the city. At the same time we vigorously developed and enforced opening-up type operations, and provided wholesale trade enterprises, which rendered comprehensive services, and created conditions for outside merchants to come to Wuhan to do business. Second, with regard to the making of spare parts for certain industrial products and construction and engineering projects, we changed the former method of specifying that they must be taken up by enterprises of the city and invited tenders from the whole country and whole society. Third, we liberalized our policies, mobilized society's forces to engage in communications work, and developed a number of jointly operated trans-territorial and trans-departmental as well as individual transportation and marketing specialized households. We also opened the railroads, wharves, and warehouse facilities for special use by enterprises and business units, and so on and so forth.

Why should we choose "circulation and communications" as the two breakthrough points? This was determined by the drawbacks of the old economic structure of the cities and by Wuhan's market conditions. In our opinion, the most outstanding drawbacks in the old economic structure of cities are the demarcation of departments and regions, the closing up of localities, too many administrative offices in the same city, and a state of extreme dissension. For example, inside Wuhan city there are over 1,300 enterprises of the machine building industry which vertically are separately subordinate to five different levels of administrative leadership such as central, provincial, municipal, district, and street; while laterally, they belong to over 40 systems. These enterprises, "though hearing each other's voices, never have any contact with each other." Between the cities and between city and countryside, lateral economic liaison is artificially severed while municipal activities are limited to a narrow scope. Wuhan used to be known as the "passageway of the nine provinces"; historically it had many different kinds of relations with the vast territories in the interior of our country. It was also a port city well known both inside the country and abroad. At one time its volume of internal and foreign trade occupied the second and third position respectively among the cities in the country. But under the closed-door and ossified

old structure, Wuhan's economic liaison with the outside had been weakened. Hence, without breaking this closed and isolated situation, and without opening to the outside world, the central role of the city could not be displayed and the commodity economy emphasizing lateral relationships could not be developed. The essence of the breakthrough in "circulation and communications" is opening the city's markets to the outside world; this is precisely the key to breaking the state of division and closure.

The breakthrough in "circulation and communications" made an assault on the old economic structure and caused a large increase in commodity circulation in the markets. Beginning from 1985, we further expanded the opening up of "circulation and communications" into "two all-round opening-ups" (city-countryside all-round opening up and city-city all-round opening up). In other words, we vigorously developed economic and technological combinations and cooperation embracing such areas as joint operation, expansion and dispersion of products, building of bases, cooperation in materials resources, merging of funds, technology transfer, and interflow of personnel. These two "all-round opening-ups" have created a situation of all-round opening to the outside world and flow in two directions in Wuhan. Following the continuously deepening and development of the two "all-round opening-ups," Wuhan's economic relations with its surrounding regions have become increasingly closer.

Opening to the outside embodies the objective of freely dealing in commodities on the market. In turn a precondition for this is the liberalizing of prices. Simultaneously with tightly grasping the breakthrough in "circulation and communications" and the two "all-round opening-ups," and adhering to the principle of "combining liberalizing and regulating and advancing in small steps," we gradually liberalized the prices of the principal subsidiary food products with the exception of milk. We also included the prices of industrial goods for daily use, the prices of means of production outside the plan, the prices of petty commodities and the charges for repairs, dyeing, bath-houses, photo-taking, hair-cutting, and so forth. Liberalization of prices creates the conditions for all-round liberalizing and promotes the growth and perfection of the socialist market structure.

Liberalization and introduction of the market mechanism pushed enterprises onto the grand theater and stage of commodity economy. The law of survival of the fittest in competition forces the enterprises to continuously reform their internal operations and management, to speed up their technological progress, and to seek survival and development in competition. Before liberalization, the self-consciousness and the feeling of urgency for reform had not been strong on the part of the leadership personnel in many of the enterprises in our city. "Only when wanting them to reform would they reform." After liberalizing, they realized that it would not do not to reform and "wanting them to reform" was changed into

"they wanted to reform." At present, in our city small enterprises owned by the whole people and large and medium-sized enterprises have all separately enforced the rent-and-lease system and the contracting system and the reform on various sides inside the enterprises has been continuously deepening. Without the liberalization the steps taken by our city's enterprises in reform could not have been so fast nor so smooth-going.

In order to meet the needs in invigorating enterprises, the government should retrench, delegate powers, change its role and functions, and convert enterprises from being administrative subordinates to being commodity producers and operators who can truly and independently run their businesses and engage in self-transformation and self-development. Since the comprehensive reform, our city has formulated a series of documents on invigorating enterprises and gradually endowed enterprises with decisionmaking powers in production and operation, establishment of organs, personnel disposition, funds utilization, and granting of remuneration and bonuses. Abiding by the principle of separating government from enterprise functions, the city has successively formed a municipal commercial management committee, a municipal communications management committee, and a municipal machine-building industry management committee. It has actively and smoothly carried out reform of the entire city's 45 grade-2 administrative industrial companies (general plants). Moreover, utilizing conditions for gradually perfecting the city's market mechanism and in the initial stage of building a market structure, we have strengthened economic legislation, made comprehensive use of economic levers so that the government's control over enterprises may be changed gradually from direct control to indirect control.

#### **Opening to the Outside Is a Road That Must Be Taken in Displaying the Multifunctional Role of Cities and Towns**

A city or town is different from a castle but is a result of a commodity economy and objectively should possess a multifunctional role. For a considerably prolonged period in the past, in developing cities we paid attention only to the construction of industrial bases and overlooked their other functions, thus cities and towns were functionally incomplete while some functions even withered. In developing industries, we one-sidedly emphasized forming their own structures and were inclined to form large and comprehensive plants as well as small but comprehensive plants; thus there was redundant construction as well as serious waste and extravagance. These were the natural results of not opening to the outside.

In April 1985, when Premier Zhao Ziyang inspected Hubei Province and Wuhan city, he pointed out that the work and the various economic activities of cities and towns should not be confined to serving the cities and towns themselves but should serve the entire economic

region within their sphere. He added that a major task in city reform should be putting a city's many functions into full play and pushing the development of a planned socialist commodity economy. Premier Zhao's talk clearly pointed out to us the direction and target of our city and town reform.

Based on earnestly learning from the spirit of Premier Zhao's talk, we have correctly oriented the guiding thought over our city work and gradually realized three changes: From paying attention only to industrial production to putting the city's many functions into full play; from being confined to serving only the city to simultaneously serving the entire region and the entire country; and from paying attention only to city development to also promoting common and coordinated development of city and countryside. Opening to the outside has been the fundamental road to realizing these changes.

Through opening to the outside, Wuhan's multifunctional role has been daily revealed while the city's lateral economic ties have developed. Wuhan possesses superior conditions for developing commodity trade and has a long history in this regard; however, in the past since commodity circulation was organized according to administrative divisions, its commercial functions were in a withered state. In recent years we have devoted rather great efforts to invigorating circulation. Currently, Wuhan's commercial network is scattered all over the city and its circulation network extends to all points. The entire city now has 33,560 commercial network points, an increase of nearly 80 percent over 1983. It has initially formed a wholesale market system. By the end of 1986, its wholesale trade system alone dealing in products of state-run industrial plants had established fixed purchasing and marketing relations with over 26,000 industrial and commercial enterprises in various parts of the country. This was an increase of 164 percent over 1984. While state-run trade operations are generally on an enormous scale, individual and collective trade have not fallen behind. At the nationally famous Hanzheng Street small commodity market, there are 2,314 stalls principally operated by individual or collective units. The market has over 3,500 categories of small commodities from industries in different parts of the country. The daily average of customers is over 30,000. Its commodities are sold to all parts of the country, and it has become the national center of wholesale trade in small commodities.

Under the conditions of a commodity economy, finance and currency develop together with the development of the economy, especially commerce. In the 1920's and 1930's, Wuhan was at one time a financial center of the entire country. There were many brokerage firms and their trading was extremely active. With reform and opening to the outside, capital funds in the form of commodities began to enter into the market, and Wuhan's role as a financial center was gradually restored and developed. At present, we have successively established 6 lateral networks to circulate funds among the

city's collective financial institutions; the city people's bank and the various specialized banks as well as other people's banks in the 45 cities and towns along the banks of the Chang Jiang; and the city construction bank and the 55 construction banks elsewhere. In 1986 the circulation of funds of these networks amounted to 7.89 billion yuan. Other activities such as bills discounting, transactions in securities, and foreign exchange regulation and adjustment have also gradually developed. Before reform and opening to the outside, these activities did not exist.

Since ancient times, communications has always been the most basic condition for the development of cities and towns. Wuhan is located at the central point of a "cross-shaped" pattern with the Chang Jiang running horizontally from east to west and the Beijing-Guangzhou Railway extending from north to south. It is in the center and enjoys all the benefits of being in a good geographical location. In the past few years we have overcome difficulties and done certain work to enliven and develop communications; we have thus enabled Wuhan to daily enhance its role as a communications center. At present 15 large and medium-sized communications and transportation enterprises in Wuhan have established lateral economic relations with 489 other units in various parts of the country. They have initially formed a land-sea transportation network extending to all sides with the Chang Jiang and the Beijing-Guangzhou Railway comprising the main framework.

Industry is the main body of Wuhan's economy. In the course of opening to the outside, the pattern of industry forming its own system and serving itself has been broken, and there has been a mushrooming of economic combines which are transregional and transindustrial, and trade embodies many levels and layers and is in diversified forms. At the end of 1986, the number of industrial enterprise combination bodies in the entire city formally incorporated into statistical listings was 181, linking together over 2,000 enterprises throughout the various provinces, municipalities, and autonomous regions of the country except Taiwan. At the same time a number of enterprise combination bodies and enterprise syndicates which are financially strong and fit each other like a dragon have made their appearance. The "Chang Jiang Motive Power Company," formed by and based on the Wuhan Steam Power Generator Plant, joined together 43 enterprise and business units in 6 provinces to form a combined body engaged in scientific research, planning, manufacturing, earthwork, installation, and adjusting and piloting work. Soon after its formation, it accepted the building of an electric power generating station for use by the Tianjin Sodium Carbonate Plant which invested over 100 million yuan in the project. The plant needed only to write out a check and provide some land, and in due course it became the recipient of a medium-sized power generating station. In the past such a situation was totally impossible.

Wuhan's higher institutions of learning, specialized academies, and scientific research organizations occupy

third place among cities and towns in the entire country. They are known for their advanced scientific technology and for the high level of personnel they have gathered. Although in the past we failed to display and fully utilize our strong points in this regard, at present the conditions have relatively changed for the better. The city has set up over 400 technological service companies of various kinds, technological stores, and development organs. Transactions in technology have been extremely active. According to incomplete statistics, from 1984 to the first half of 1986, between the various units 11,047 agreements on technological transfer have been signed worth 180 million yuan. In 1986 alone, the Wuhan region transferred 417 items of technological results to the outside.

Wuhan's actual practice has further shown that the wider the opening to the outside world, the fuller will the city or town display its multifunctional role and the stronger will be the city's or town's power to attract and radiate. Located in the center of central China's economic region, Wuhan has broken through the closed-door and ossified old structure and by developing lateral economic relations has promoted and led the economic development of this region; particularly its surrounding areas. On the one hand, the opening to the outside of Wuhan's huge market has pushed the readjustment and reorganization of the industrial structures in the surrounding areas. According to incomplete statistics, at present the 100,000-strong peasant construction corps from the over 2,123 rural villages in the entire province have contracted projects in Wuhan city and over 30,000 people have entered the city to establish or jointly establish some 8,525 commercial shops; each year people from neighboring areas engaged in industrial and commercial pursuits in Wuhan can earn a gross income of some 500 million yuan. On the other hand, Wuhan's diffusion of products and technology and export of capital and talent have enabled enterprises in the surrounding areas to strengthen their capacity of "blood making." Now, nearly all the enterprises in the city's suburbs and in townships and villages in nearby counties have set up close relations with Wuhan. For example, in Xizhou County which is directly subordinate to the city, 110 township and village enterprises have established united and cooperative relations with enterprise and business units within the city proper. In short, just as some comrades have pointed out, economically, Wuhan and the surrounding areas are one solid whole and, be it in success or failure, all will be similarly affected.

#### **Opening to the Outside World Is an Effective Measure for Strengthening Cities and Towns**

Wuhan's implementation of the policy of opening both to the outside and the inside has by no means been smooth going. In fact, from the time of opening wide the city's gates, some comrades still could not understand and believed that abolishing the policy of protecting the locality and allowing products from outside areas to

occupy Wuhan's market would be tantamount to "inviting the wolf inside." After opening, some comrades, because of the lack of competitive power, found themselves in distress and urgently called for "closing the doors as soon as possible." Under such circumstances, the municipal committee and the city government stood firm, holding that even though jobs would be lost, they would not protect regressive elements. They wanted backward enterprises to "fall into dire straits to gain rebirth."

In determining such a policy we were principally influenced by the following two considerations: First, Wuhan is a piece on the national chessboard. In the general framework of developing the national economy, it plays a "twofold" role of attending to both the east and west. We cannot watch Wuhan for Wuhan's sake but must, having our foothold in Wuhan, open our eyes to the entire province, to central China, and to the entire country and foster a guiding ideology of serving the entire region and the entire country. It would be quite worthwhile to sacrifice some temporary and partial interests if this would help the economic development of the country as a whole. Second, Wuhan's economic strength can be strengthened only through opening to the outside and competition. Marx and Engels once said: The capitalists' opening up and developing convenient communications facilities and inexpensive commodities served the purposes of a heavy cannon destroying the antiquated great wall of the closed-door and anti-foreign psychology. This heavy cannon not only made people unwilling to submit to destruction to turn to as soon as possible the mode of production based on the commodity economy but also made "rural villages subordinate to cities and towns" and "uncivilized or semicivilized nations subordinate to civilized nations." ("Selected Works of Marx and Engels," Vol 1, p 255) Comrade Deng Xiaoping likewise said: "The world today is a world calling for opening to the outside," and to "undertake construction in a closed-door state is not workable and cannot achieve development." ("Building Socialism With Chinese Characteristics," revised and enlarged edition, p 54) Closing the door to the outside cannot bring about development; closing the door internally also cannot bring about development. This is because only by opening the door can we receive the impact of advanced forces and learn from other people's strong points. In the great environment of developing the commodity economy, the tighter the door is closed the more backward one becomes. If we adopt a protectionist and backward policy for fear of competition, we will lose in the end and be eliminated; the hope of protecting ourselves will be foiled. For this reason, we have, on the one hand, firmly insisted on the open-door policy in order to create a competitive environment for enterprises so that they will feel the outside pressure, generate their own initiative, rectify their activities, and assert their efforts in internal innovation. On the other hand, by means of retrenchment and power delegation—providing more water for the fish, so to speak—we have continuously deepened reform of enterprises, persuaded

enterprises to enliven themselves, improved the competitive power of Wuhan's products, generally strengthened ourselves, and literally "let our revitalized forces push forward from the city."

Actual practice has shown that opening the door has not been like what people were concerned about, that is, it would weaken our own economic strength. Under the conditions of a commodity economy, the economic strength of cities and towns has frequently been demonstrated by their power to attract and radiate and by their capacity to render comprehensive services. Wuhan's many capabilities, particularly that of "circulation and communications," are themselves proof of its economic strength. As for the important aspect of the economic strength of cities and towns, namely their industrial power, it can be strengthened only by opening the door. Both the start and end of opening are invigorating enterprises. In recent years, concurrently with opening to the outside, we have not relaxed in enterprise reform. From the factory manager responsibility system to the separation of powers, the steps taken in reform have been fairly rapid and the results achieved have also been quite good. Naturally, in opening to the outside there were definitely some enterprises that fell into distress because of poor competitive power and there were even some that were on the verge of bankruptcy or actually went bankrupt. However, on the whole the strength of Wuhan's industry has not been weakened but has greatly increased. For example, the city's industrial production has steadily enjoyed healthy and stable development. From 1984 to 1986, gross industrial output value showed an annual growth rate of 11.07 percent; steel plates, numerical control machine tools, spiral rod system coolers, washing machines, recorders, duplicating machines, printed cloth, rolled tobacco, and many other marketable first-grade products have emerged; the proportion of good-quality products rose from 15.1 percent in 1983 to 24.8 percent in 1986; the industrial structure has been rational while well-known industries and trades have developed rapidly; and the use of foreign capital and introduction of technology have quickened while the strength of industrial development has greatly increased.

Moreover, in judging strength we should look not only at visible things but also invisible things. Open-door accelerates turning the entire city's enterprises from the production type to the production-operation type and enables the vast numbers of cadres, particularly enterprise leadership, to widen their vision, to breathe fresh air, and to gradually set up a series of ideas on the commodity economy, particularly augmenting the concept of competition. For example, a weak understanding of the concept of quality had been a general weakness of many of our city's enterprises in the past. After opening to the outside, the slogan "quality is the life of an enterprise" has truly entered deep into people's hearts and the enterprises are self-consciously paying close attention to the quality of products. In the course of opening, enterprises have come to fully understand that competition of products is in reality competition of

people's talents, as a result, the concept of talented people has been greatly strengthened. Since 1984, our city has resorted to various ways and means to introduce and absorb from inside the country over 7,500 specialized technicians in various trades and has brought in 130 foreigners. By absorbing personnel from outside, the city's wireless antenna plant has increased its staff of technicians from 7 to 115 people. In 1986 alone, it turned out over 30 different kinds of new products. The Red Plum brand antenna has received the state award for scientific and technological progress, and the plant's economic results have also risen vertically. Our city appointed Kries, a specialist from the Federal Republic of Germany, to manage the Wuhan Diesel Engines Plant. He managed the plant with a firm hand. He not only increased the operational life of the plant's diesel engines from 2,000 to 6,000 hours and increased exports abroad but also firmly implanted in the many enterprises in the city the concept of quality and the importance of improving and strengthening enterprise management; he generally played a good and exemplary role and promoted the rise and growth of our own entrepreneurs.

Judging from the 3 years of the open-door in Wuhan, the early opening to the outside is not a loss but a gain. It has given added vitality to those enterprises with a good foundation and the earlier the opening the sooner and faster their rise. Take for example the Wuhan Children's Vehicles Plant which was one of our city's enterprises which established lateral ties with other plants; the Large Bridge brand children's vehicle produced by the plant had been popular but because of lack of plant space, equipment, and funds, production could not be expanded. Subsequently, the plant transferred 70 percent of production of vehicle parts to some 69 enterprises inside and outside the city, and now output value has doubled, output quantity has jumped to second place in the entire country, and the product has found a place in the international market. An early opening to the outside can also enable regressive enterprises to receive earlier the benefits of the commodity economy and thereby transform at an early stage their state of regression to a progressive and advanced one. For a long time the Wuhan No 2 Bicycle Plant had difficulty in improving the quality of products and frequently had to depend on the local commercial department to give it a "helping hand." As soon as the comprehensive reform began in our city, this plant was the first to break through regional and departmental barriers and openly invited tenders from plants in various parts of the country to produce parts for its products. Soon afterwards, its Yellow Crane brand bicycle was promoted from grade 2 to grade 1 and sales greatly increased. Later, the plant cooperated with the Shanghai No 3 Bicycle Plant, undertook production of Phoenix brand bicycles, and organized 10 parts-making plants to coordinate production. Last year it produced 5,000 units of this brand bicycle which generally received the acclaim of buyers. This year the plant's gross bicycle production is expected to be over 600,000 units.

Naturally, it can be said that currently, Wuhan's economic strength is still not great, and compared with other advanced cities, there is still a definite disparity. However, this disparity has not been brought about by the open-door. On the contrary, it is the result of past long-term closure and ossification. Only by firmly insisting on opening to the outside and reform can Wuhan's economic strength be further enhanced.

Comrade Deng Xiaoping said: "If there is anything lacking, then it is that the opening has not been sufficient. We must continue with it and open up wider." ("Building Socialism With Chinese Characteristics," revised and enlarged edition, p 160) Opening to the outside is a long-term task and will continue to develop. Wuhan is determined to further push the open-door policy and to help other regions also open their doors. At the same time, it will further enforce the separation of government from enterprise functions, speed up the transfer of the old with new economic structures, and gradually reform the political structure so that the power of opening to the outside can be more fully demonstrated.

**The Protection of Farmland Brooks No Delay**  
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[Article by Huang Xiaohu [7806 1420 5706]]

[Text]

## I

On average, China's farmland decreased by 7.37 million mu a year in the Sixth 5-Year Plan period. In 1985 total farmland decreased by about 15 million mu. In 1986, the first year of the Seventh 5-Year Plan, there were about 9 million mu less than in 1985. (Footnote 1) (RENMIN RIBAO, 18 May 1987) If farmland is continuously reduced this way, the results will be very serious. To protect farmland, construction projects should not replace so much farmland or should try to encroach upon it less. This has been one of the most urgent duties of the present economic works, and it should receive attention from various departments.

*First, the strengthening of the agricultural base should be guaranteed by a coordinated amount of farmland.*

Since the 3d Plenary Session of the 11th CPC Central Committee, China's agriculture has achieved continuous and stable growth, and thus the development of China's national economy has been promoted. However, when compared with economically developed countries, China's agricultural productivity is still lower. To achieve the modernization of socialism, we should pay full attention to the fundamental role of agriculture. Agricultural development cannot be separated from cultivated land, Marx said, "labor is not the only source of the use value, i.e., material wealth, that it generates. William Petty said, labor is the father of wealth, and land is the

mother of wealth." (Footnote 2) ("Collected Works of Marx and Engels," Vol 23, p 57) This only refers to general material production. The role of land is more important in agricultural production. In industrial production, land is the base, and it only plays the role of the ground for operation. However, land is the most fundamental means of production in agricultural production, and it plays the role of the production tool. The value of agricultural output is in direct proportion to the quantity and the output rate of farmland.

Is there any agriculture that does not require the use of farmland? In the past several decades, many scientists have devoted themselves to the study of this topic, and the study of cultivation without land has achieved a certain level of development and has succeeded in many small-scale experiments. However, the scope of study cannot be expanded and promoted, and the varieties of the items cultivated are mainly limited to high-priced items such as vegetables and flowers. This is mainly because of the high production cost, and thus it is not economical to cultivate other items in this way. The development trend shows that, even though the study of cultivation without land can achieve rapid and concrete development in the future, it cannot totally replace the role of farmland in agricultural production. As China has a weak economic base, when we are considering problems and formulating policies, we should take into account actual conditions, and we should not build agricultural development on economic uncertainties.

The development of animal husbandry also cannot be separated from farmland. First, domestic livestock and poultry such as pigs and chickens are transformed through feed grain. If we want to have more meat, we have to produce more grain. Second, in general, the development of animal husbandry on grassland can to a certain extent lessen the demand on farmland. However, the situation in China is rather peculiar, and the aforementioned does not apply here. In the early 1980's about 35.2 percent of the 3.3 billion mu of grassland in China could not be fully used. This was due to insufficient irrigation. Besides, 23.3 percent of the grassland was consumed by desert and eroded; and 30.6 percent was damaged by rats and pests. (Footnote 3) (Ba Alateng Aoqier: "An Exploration for the Ways for the Modernization of China's Grassland Animal Husbandry," HONGQI, No 16, 1986) This is a great constraint on the development of China's grassland animal husbandry. Moreover, the horses and cattle that graze on grassland also need supplementary concentrated feed. Most of the grassland in China is frigid desert, desert, or semidesert, and the dry season is long. The development of grassland animal husbandry will ultimately have to follow the path of combining grazing and animal raising. Therefore, the demand for grain will become very great. As grain production requires farmland, more farmland is required.

*Second, we do not have sufficient resources of farmland, and thus we should treasure them.*

China's population is about 22 percent of the world's total population. However, the total area of China's farmland is about 7 percent of the world's total farmland. Presently, the average area of farmland per capita is about 1.5 mu, far lower than the average world level of 5 mu. From this limited area of farmland, we have solved the food problem of the 1 billion people in China. This is a world-recognized miracle. However, we have great difficulties in bringing China's agriculture to reach, or close to, the output level of developed countries.

Can we open up more farmland? Generally speaking, it is a way to increase agricultural output, and China has done this in some previous periods. However, this method of increasing output does not have much potential. China is vast in territory; however, only 12 percent of the total area of the country is flat land, and a large part of it is highland, hilly area and mountainous areas that have very thin soil. Fifty-three percent is dry and semidry areas. (Footnote 4) ("China Statistical Yearbook (1986)," China Statistical Press) Not much land in China is really suitable for cultivation. According to estimates, presently about half a billion mu of wasteland in the whole country is suitable for cultivation, and only about 0.1 billion mu of that can really be developed into farmland. This 0.1 billion mu of land is located in backward and remote areas, and thus it is very difficult to cultivate. (Footnote 5) (Zhou Yichang and Chen Bijiang: "This Is Also a National Policy," LIAO WANG, No 14, 1986) In such a situation it becomes extraordinarily important that construction should not take up, or should take up less farmland that has been newly developed.

*Third, the increase in returns of land in China is constrained by technological conditions. There will not be any great breakthroughs in this aspect in the near future, and therefore the area of farmland cannot be heavily reduced.*

A piece of land that has natural fertility would become a piece of farmland only after it has been renovated and improved, and after the essential facilities have been established and renovated. Agricultural activities can also improve the fertility of farmland. The input of human labor is the human fertility of the farmland. Economic fertility of farmland will thus be formed by combining human fertility and natural fertility. In the long run, with the development of productivity and scientific technology, the quality of human labor input into the land will be better and better, the quantity of the human labor input will also be higher and higher, and thus the fertility of land can be limitlessly increased. Therefore, Marxists oppose the "theory of diminishing fertility of land" advocated by capitalist economists. However, we do not deny that the development of scientific technology and social productivity can be divided into different stages. When the nature of productivity has not been fundamentally reformed, the increase in investment in land within a certain scope, up to a certain level, will bring the phenomenon of decrease in fertility that is formed by unit investment. When

fertility is decreased to a certain level, increase in investment will result in losses, and the role of investment will thus be suppressed. Moreover, the growth of the yield per unit area will also be slowed or even stopped completely.

If the yield per unit area can be substantially increased, the demand for agricultural products can be guaranteed even though the area of farmland is reduced. Presently some developed countries have adopted this method. However, China cannot copy this method. In these past years, the correct policy of the Communist Party has aroused the enthusiasm of masses of peasants, and thus the potential of land has been brought into full play. However, traditional agricultural cultivation systems, and manual operation methods are still mainly utilized in most areas of China. In fact, the nature of the productivity of these areas has not been fundamentally reformed. Many areas, after achieving rapid development in agricultural production, have encountered the problem of diminishing returns on investments. Even when agricultural output has increased, the income of peasants has not increased, and thus they cannot expand their investments. Under such conditions, agricultural production cannot be further developed. Circumstances indicate that this situation cannot be improved in the near future. However, the rate of population growth is still high, and most of the increase in grain harvest is offset by the increase in population. This puts great pressure on agriculture. To deal with the actual situation on one hand we should open up more farmland according to the financial capability of the state. On the other hand, we should strictly protect the existing farmland. At the same time, we should accelerate the early adoption and promotion of new agricultural technology to abolish the present slow growth in the yield per unit area as soon as possible.

*Fourth, the proportion of land utilization has become unbalanced, and it should be appropriately readjusted.*

The land in urban areas is mainly taken from what used to be agricultural land. When the industrial sector and urban areas of a country have developed, some farmland will be taken up. However, if too much farmland has been taken up, the foundation of agriculture will be damaged. If we want to have coordinated development of both industry and agriculture, the proportion of agricultural land to nonagricultural land should be kept at an appropriate level. Presently, the proportion of the area of nonagricultural land for construction of towns, villages, and roads to the total area of land of economically developed countries in the world in general is lower than the proportion of the area of farmland to the total area of land of the whole country. For instance, the nonagricultural construction land of the 9 member countries of the European Economic Community in 1971 amounted to 6.8 percent of the total area of land of these countries, and the area of farmland only amounted to 36.2 percent. In the United States, Canada, and Sweden, the proportion is even lower: 4 percent, 1 percent, and 2

percent, respectively. (Footnote 6) (Jin Duanfang: "The Changes and Reform Models of the Structure of the Utilization of Land in China," FANGDICHAN JINGJI, No 4, 1985) The situation of these countries illustrates that the realization of a high degree of industrialization and urbanization does not necessarily require the destruction of large quantities of farmland.

In the early 1950's, industrialization was increasing, wasteland was opened up on a large scale. As a result, the total area of farmland rapidly increased, and the proportion of the area of land used for various constructions to the area of agricultural land was basically coordinated. However, the area of land used for construction tremendously increased after 1957, and the expansion was out of control. In the 23-year period from 1957 to 1981, half a billion mu of farmland had been taken up by various industries of the country, and 0.32 billion mu of new farmland had been opened up. In fact, 0.18 billion mu of farmland had been reduced, and this amount of land is equal to the total area of the original farmland of Sichuan, Yunnan, Juizhou, Ningxia, and Xizang. (Footnote 7) (Ibid.) The substantial decrease in the area of farmland caused the imbalance of the proportions of land utilization in China. For instance, in 1978, the area of farmland amounted to 10.4 percent of the total area of land in China. However, the area of land taken up by nonagricultural construction such as cities, villages and road construction amounted to 14.2 percent. (Footnote 8) (Ibid.) The proportion of the latter had obviously been raised. In the Sixth 5-Year Plan period and in 1986, the area of farmland gradually decreased, but the area of urban land rapidly increased. The contradiction of the imbalance of the proportions of land utilization was thus intensified. According to the materials concerned, the total area of farmland in the world increased in the past 20 to 30 years. The total area of farmland in 1983 was 2.3 percent more than that of 1975, in which the total area of farmland of developed countries increased by 1.2 percent, and that of developing countries increased by 3.3 percent. However, the area of farmland in China continuously decreased. This situation is very abnormal.

*Fifth, the existing farmland is the valuable property of the Chinese nation that has been passed from generation to generation. We should not waste it.*

The transformation of natural land into cultivated land, in general, has to first go through a gradual process that enables it to become fertile. This process in fact is the high economic level of fertility transformed by continuous input of natural fertility and artificial fertility. Thus, farmland is no more a type of pure natural material. It is also the product of human labor. The present area of about 1.5 billion mu of farmland in China had embodied several thousand years' labor input of the Chinese nation. Only the irrigation projects in the 30 more years after the liberation had accumulated an amount of more than 100 billion yuan of fixed capital. (Footnote 9) (NONGMIN RIBAO, 6 January 1986) In the period from 1950 to 1983, the cumulative amount of funds for

aiding agriculture was 228.7 billion yuan, of which 83 billion yuan was the financial allocation for basic agricultural construction. (Footnote 10) (These figures are calculated on the data given in the "China Statistical Yearbook (1986)") Together with the accumulation of peasants, the amount is very large. We should treasure and not waste this valuable property that has embodied the blood and sweat of generations of labor. Marx pointed out that if we look at it from a higher level of socioeconomic development the system of private ownership of land is very ridiculous, and "even the entire society, or a nation, or even the sum of the societies that exist at the same time, is not the owner of land. They are only occupants and users of land. Besides, they will, as similar to what good parents will do with their children, improve the land and then pass it on to their descendants." (Footnote 11) ("Collected Works of Marx and Engels," Vol 25, p 875)

## II

Farmland has mainly been taken up in two ways. First is the internal readjustment of the production structure of agriculture. In recent years, excess area of farmland has been taken up in this way. Besides being taken up by planned afforestation, and being turned into pasture, farmland has also been reduced in that some peasants privately dug fish ponds and planted fruits on the farmland contracted to them. Moreover, farmland has also been taken up by nonagricultural construction. Previously, nonagricultural construction was set up on state construction land, and various village constructions only comprised a relatively small proportion in this aspect. However, the situation changed after 1978. According to the statistics collected by the departments concerned, of the farmland taken up by nonagricultural construction in the whole country in recent years, 40 percent was by state construction; collective construction, mainly village and town enterprises, took up about 20 to 25 percent; and 30 to 35 percent was taken up for building houses for peasants. Since the 3d Plenary Session of the 11th CPC Central Committee, the economy of China has developed in an all-round manner. In particular, the agricultural economy has been unprecedentedly active, and the livelihood of peasants has substantially improved. However, with the invigoration of the economy, more farmland has been used up, and the duty to protect and manage farmland has become very important. Various areas should observe the actual situation and differentiate between distinct situations. They should also properly protect and manage farmland in view of these different situations.

*First, the system of compensatory payments for the use of land should be implemented as soon as possible.*

The system of compensatory payment for the use of land means that the users of land should pay a tax or fee to the state or landowners for the use of land. Recently, the State Council promulgated the "Interim Regulations of Farmland Tax of the People's Republic of China." It

stipulated that the units or individuals that use farmland for nonagricultural construction should pay tax for the use of the farmland. This is an important measure: to implement the system of compensatory payments for the use of land, and to protect and to guarantee reasonable use of farmland. These regulations have two important roles. One of them is to restrain the phenomena of taking up farmland for building houses and setting up enterprises by economic means. The other role is that the state can, through collection of taxes, have a farmland reclamation fund to open up new farmland. This is to guarantee that the total area of farmland will not be excessively reduced, but may instead be increased. This fund can also be used to renovate old farmland, particularly the medium and low output farmland, so that the output of farmland can be increased.

It will be easier for us to understand the arrangement that the state may take over collective farmland, and thus the ownership of land will be transferred to the state, and then the state can collect tax from the units that use the land. Will the decisionmaking power of collective economic organizations be violated if the state collects taxes from the use of farmland by village and town enterprises, village and town construction, and peasants for building houses within the internal scope of various collective economic organizations? No, it will not. First, as discussed above, the present farmland of China concerns the livelihood and development of the whole people and their descendants, and collective economic organizations and their subordinate members do not have the right to waste it. As the representative of the entire population, the state should have the responsibility to adopt measures to protect the farmland. Second, various present village construction projects have taken up most of the existing farmland. Therefore, the state should strengthen its supervision and management of farmland through collection of taxes. Moreover, the substantial amount of funds that the state and the party have invested in agriculture since liberation is basically for the improvement of the conditions for agricultural cultivation. Some investment, such as the investment in regulating and controlling important rivers, has played a crucial role in improving the fertility of farmland, though the fund is not directly invested in the farmland. A substantial portion of this type of investment, however, cannot be compensated by the benefits gained from the farmland. As an investor, the state has the right to collect a certain amount of economic compensation from the organizations or individuals that have taken up farmland for nonagricultural uses.

In recent years, some areas such as Zhejiang Province and Guangdong Province experimentally implemented the system of collecting farmland reclamation funds from nonagricultural utilization of farmland, and very good results were achieved. Presently, the State Council has decided to unify the collection of the tax on use of farmland for other purposes. Various areas should insist on the thorough implementation of this policy. Besides,

the state can also consider the collecting of a land utilization fee (i.e., rent) through appropriate methods. The focus of the collecting of a land utilization fee is on urban land.

Presently, although the proportion of the farmland that has been utilized by urban construction has fallen, the actual area of farmland that has been taken up is still very large; and the trend of continuous expansion of this area has basically not yet been brought under control. For instance, the urban construction of Jilin and Changchun in 1983 took up 3,960 mu of farmland (680 mu were for vegetable plots), and this area was increased to 14,500 mu (7,000 mu were for vegetable plots) in 1985. (Footnote 12) (Sun Xiang and Liu Guangyou: "We Should Insist on Prohibiting the Utilization of Suburban Farmland," XIN CHANGZHENG, No 9, 1986) Moreover, more than 26,000 mu of farmland of the 13 suburban vegetable plots of Jiangsu Province had been taken up by urban construction in 1985, and the supply of vegetables to 700,000 people had thus been affected. (Footnote 13) (XINHUA RIBAO, 28 January 1986) Moreover, according to the information concerned, the amount of farmland in Beijing that had been taken up by urban construction in the 30-plus years since liberation is nearly equivalent to 30 percent of the total area of the original farmland. One important cause for the continuous expansion of the area taken up by urban construction is that urban enterprises and offices do not have to pay compensation for land utilization, and urban collective enterprises do not have to pay, or only have to pay a very small amount in compensation. This method of "eating from the big communal pot" has caused serious waste in urban land utilization. The phenomena of taking up excessive amounts of land, taking up land for no use, and taking up land illegally, and even the phenomenon of taking up land as private property and to lease or sell the land, are very common. The supply of land for construction in Guangzhou is rather tight. According to research conducted in 1982, the total area of construction land of the whole city only amounted to 19.7 percent of the area of land used in the city, and about 19 percent of the total area of land had not been used. (Footnote 14) (Yi Zhi: "A Theoretical Analysis of Some Problems Concerning the Management of Urban Real Estate," FANGDI-CHAN JINGJI, No 1, 1985) In Beijing, Shanghai, and Tianjin, there was also plenty of land that had been taken up and taken over but had not been used. As the existing urban land has not reasonably and fully been utilized, and new construction requires more land, various urban construction projects have to look to rural areas for land and take up large amounts of farmland. From now on, we still have to develop urban construction. However, for whatever reason, we should not take up farmland for urban construction. One important solution for this contradiction is to fully use the existing urban land. To achieve this goal, the "great communal pot" of using land should be smashed, and a land utilization fee (i.e., rent) should be collected from the units that use the land.

Besides the role of practicing economical use of land, the policy of collecting a land utilization fee also has many

other purposes. For instance, the land utilization fee includes absolute rent and differential rent; and a portion of the differential rent (differential rent I) is the excess profits brought by the fertility and location of the land, and it is not the result of extra labor contributed by staff and workers of enterprises. The practice of turning this portion of excess profits over to the state is advantageous to accurate calculation of the results of labor of staff and workers, and to thorough implementation of the principle of distribution according to labor. The state can also, according to the principle of differential rent, collect different rates of rent from different locations of land to carry out urban construction plans, etc.

In the long run, rural collective economic organizations should collect a land utilization fee from their subordinate members and units for various production construction. This practice can allow collective units to realize their land ownership in economic operations, and thus can develop a collective concept among peasants. On the other hand, it is advantageous to reasonable utilization of land, and it can also increase collective accumulation. In reality, the contracted fee turned over to the state by peasants includes a portion of land utilization fee. Defining the land utilization fee and perfecting it are advantageous to harmonizing various internal economic relationships in rural collective organizations.

*Second, land management should thoroughly and practically be improved.*

Utilization of farmland for other purposes in an excessive manner in recent years was mainly caused by improper farmland management. The party and the state had clearly defined the scope of the power, the procedures, and the standards to evaluate and approve land for state, village, and town construction. However, some areas had not seriously carried out these procedures. In 1986, the state organized a large number of cadres to investigate the situation of nonagricultural land of the whole country. In the total area of land that had been investigated, about 30 percent of it had been taken up illegally; and in some areas, the percentage was as high as 60 percent. (Footnote 15) (RENMIN RIBAO, 27 December 1986) In protecting farmland, besides economic methods, administrative management means should also be used. If the management system is not strict, the economic methods cannot be implemented.

We should strengthen the management of farmland through various methods.

First, we should make the entire population, particularly various ranks of leading cadres, understand the important meaning of protecting farmland. In the areas in which the situation of taking up of farmland for other purposes is very serious, this is a fact due to the improper management of the leading cadres there. Some leading cadres even violated regulations, and the cadres and people below them had thus followed their malpractices.

Every management system has to depend on the cadres in charge of it. If the thinking and work style of the cadres in charge of management system are not correct, there will not be proper management.

Second, a unified management organization of land should be set up. For many years, we had not set up a special unified management department to take care of land, and thus some land had been managed by many departments, and some land was not managed by anybody. This is an important cause of the abuse of the management of farmland. Recently, the State Council established the State Bureau of Land Management to manage both the rural and urban land affairs of the whole country. Many people's governments of various provinces, cities, and self-administrative areas that are above the county level had also established corresponding organizations. This is an important transformation. However, there are many areas that still have not carried out any tasks in this respect, and the situations in which nobody manages the land, or there are too many departments managing it, still exist. These areas should establish unified management organizations as soon as possible. Urban land and agricultural land are closely related to each other. Therefore, it is not suitable to have different organizations to separately manage land. Due to historic factors, however, it will be difficult for some areas to implement unified management immediately. For these areas, they should also establish unified management organizations first, and then gradually take up the concrete duties. The key principle here is to build up unified and full-scope management concept, and to abolish individualism.

Moreover, the fundamental tasks of land management should be properly carried out. The duties of this aspect are very heavy. For instance, the investigation of the present situation of land utilization and the investigation of nonagricultural land that is presently being conducted are very important fundamental tasks. Various areas should organize their strength and properly carry out the fundamental tasks of land management. On the basis of investigation and resources exploration, records of written materials of land, which include documents and diagrams of registration, statistics and evaluation of the grades of land, should be established. It is to guarantee a system of scientific management of land.

Furthermore, various management means should be strengthened. In the first half of this year, the State Planning Commission and the State Bureau of Land Management assigned the indicators of the mandatory plans of nonagricultural land of the whole country for 1987. Three different indicators of state construction land, collective construction land, and land for building protect farmland were transmitted to the provinces, municipalities and autonomous areas. These are important guidelines for all areas to follow in carrying out land management. In the future, it will be necessary to consider the establishment of guidelines for farmland use by agricultural sectors as they adjust their production organizations.

*Third, land regulations should be strengthened.*

In addition to the provisions in the constitution governing land, the "People's Republic of China Land Management Regulations" promulgated on 1 January 1978 also set forth some stipulations protecting farmlands. On the one hand, we must follow these provisions and regulations in our work. On the other hand, we have to explore

for concrete methods to thoroughly implement the Constitution and the regulations on land management through practice, and to consistently improve and perfect them, so as to prepare for the future establishment of more perfect and detailed land laws. The "Interim Regulations of the Tax on Utilization of Farmland" that was recently promulgated by the State Council is a concrete method to implement the regulations on land management; and at the same time, it also has the effects of law.

**Statistical Data on the Achievements of 8 Years of Economic Structural Reform—Part VII**  
*OW041412 Beijing HONGQI [RED FLAG] in Chinese No 19, 1 Oct 87 pp 23-24*

[Article by the State Statistical Bureau]

**[Text]VII. Continuous and Stable Development of the National Economy**

China's economic structural reform has promoted rapid development of productivity. The 8 years of reform have been a period of the fastest growth of economic strength since 1949. This is also the period in which the national economy achieved its most continuous and stable development. Within these 8 years the gross value of industrial and agricultural output [GVIAO], gross national product [GNP], and state revenue doubled. In addition, the important proportions of the national economy were coordinated, the production of major industrial and agricultural products increased in great magnitude, and the world value of some products also rose.

**Growth of the Country's Economic Strength (calculated on the basis of current prices)**

	Unit	1978	1980	1981	1982	1983	1984	1985	1986
Total social product	billion yuan	684.6	853.1	907.1	996.3	1112.5	1316.7	1658.7	1896.1
—GVIAO	billion yuan	563.4	707.7	758.0	829.1	921.1	1083.2	1333.6	1520.7
National income	billion yuan	301.0	368.8	394.0	426.1	473.0	565.0	700.7	779.0
—National income per capita	yuan	315	376	396	423	464	547	674	741
GNP	billion yuan	348.2	433.6	462.9	503.8	562.7	676.1	830.6	938.0
—GNP per capita	yuan	364	442	466	500	552	657	799	892
State revenue	billion yuan	112.1	108.5	109.0	112.4	124.9	150.2	186.6	226.0

**Continuous and Stable Development of the National Economy (growth rates calculated on the basis of constant prices)**

	1978 as a percentage of 1952	1986 as a percentage of 1978	Average annual growth rate (percent)	1953-1978	1979-1986
Total social product	625.8	119.3	7.9	10.3	
—GVIAO	679.0	115.5	8.2	10.1	
—GVAO	97.2	66.2	2.6	6.6	
—GVIO	1565.6	134.9	11.3	11.3	
National income	353.2	95.1	6.0	8.7	
GNP	353.8	102.7	6.0	9.2	
State revenue	510.3	101.6	7.2	9.2	

**Better Coordination of the Main Proportions in the National Economy (in percent) (calculated on the basis of current prices)**

1978 1986

**1. The proportions of agriculture, light industry and heavy industry in GVIAO**

—Agriculture	24.8	26.4
—Light industry	32.5	35.1
—Heavy industry	42.7	38.5

**2. The proportions of accumulation and consumption in the amount of national income used**

Better Coordination of the Main Proportions in the National Economy (in percent) (calculated on the basis of current prices)		
	1978	1986
—Accumulation	36.5	34.6
—Consumption	63.5	65.4
<b>3. The proportions of production investment and nonproduction investment in basic construction investment</b>		
—Production investment	79.1	60.9
—Nonproduction investment	20.9	39.1
—Of which: Investment in housing	7.8	24.2
<b>4. The proportion of state revenue to national income</b>	37.2	29.0
<b>5. The proportion of the funds for cultural, educational, hygienic, and scientific activities to total financial expenditure</b>	10.1	16.6

	Production Value of Major Industrial and Agricultural Products			1986 as a percentage of 1978
	Unit	1978	1986	
<b>1. Production value of major agricultural products</b>				
—Grain	million tons	304.77	391.51	28.5
—Cotton	million tons	2.17	3.54	63.1
—Oil	million tons	5.22	14.74	1.8 times
—Pork, beef and mutton	million tons	8.56	19.17	1.2 times
—Aquatic products	million tons	4.66	8.24	76.8
<b>2. Production value of major industrial products</b>				
—Synthetic fabric	million tons	284.6	1017.3	2.6 times
—Cloth	billion meters	11.03	16.47	49.3
—Raw coal	billion tons	0.618	0.894	44.7
—Crude oil	million tons	104.05	130.69	25.6
—Electric energy	billion kWh	256.6	449.5	75.2
—Pig iron	million tons	34.79	50.64	45.6
—Steel	million tons	31.78	52.20	64.3
—Cement	million tons	65.24	166.06	1.5 times

Transformation of the Production Value of Major Industrial and Agricultural Products in the World										
Cereal	Pork, beef and mutton	Cotton	Steel	Coal	Crude oil	Electric energy	Cement	Synthetic fabric	Sugar	
1978 2	3	3	5	3	8	7	4	7	8	
1986 1	1	1	4	2	5	5	1	5	6	

**Marxist Theory on State and the Initial Stage of Socialism In Our Country**  
HK281536 Beijing HONGQI [RED FLAG] in Chinese  
No 19, 1 Oct 87 pp 25-30

[Article by Xu Hongwu [1776 7703 2976] and Li Jingde [2621 2417 1795]]

[Text] China is still in the initial stage of socialism. This inference is the basis for grasping the characteristics of China's socioeconomic as well as its social politics. At the present stage and for a considerably long period of time to come, we must adhere to the people's democratic dictatorship—namely, proletarian dictatorship. Then, compared with the transitional period, has proletarian dictatorship undergone some changes in the initial stage of socialism? What effects have such changes brought about regarding the functions of the socialist state? In this connection, how should we comprehend democracy?

What important historical tasks do we face in this field? These questions must be explained by linking with the actual conditions, proceeding with the reality that China is in the initial stage of socialism, and applying Marxist theory on the state.

I

In Marxist theory on the state, the theory of proletarian dictatorship occupies an important place. Marx and Engels equated the time concept of the proletarian dictatorship with that of the transitional period from capitalism to socialism. Marx pointed out: "Between the capitalist and socialist societies (author's note—referring to the first stage of the communist society), there is a period of revolutionary changes from the former to the latter. Corresponding to this period is also a transitional period in politics; this period can only be the revolutionary dictatorship of the proletariat." ("Selected Works of

Marx and Engels," Vol 3, p 21) Lenin upheld this concept. He divided the social development after the victory of the revolution into three phases: the transitional period, the initial phase of communism (namely, socialism), and the highest phase of communism. The conditions of the state corresponding to these three phases are: the proletarian dictatorship, apolitical state (the state begins to wither away), and the complete withering away of the state (refer to Lenin: "Marxism on the State," RENMIN Publishing House, 1975 edition, pp 28-33). He believed that once the transitional period was concluded, classes would be eliminated and "therefore, there will no longer be any classes to suppress," and the proletarian dictatorship would be unnecessary ("Selected Works of Lenin," Vol 3, p 252). However, the development of socialism in practice obviously manifests more complicated conditions than this forecast. In fact, the proletarian dictatorship remains indispensable when many socialist countries, including China, have entered into the socialist society with the conclusion of the transitional period. The fact that the CPC has persisted in regarding the people's democratic dictatorship (namely, proletarian dictatorship) as one of the contents of the four cardinal principles during the new historical period of socialist modernization has proved this point.

Although the proletarian dictatorship exists in both the transitional period and the initial stage of socialism, there are differences in the proletarian dictatorship of the two historical phases. The historical mission of the proletarian dictatorship in the initial phase of socialism has undergone important changes. We were very confused on this issue in the past, mainly in concept. We prolonged the transitional period to the realization of the advanced phase of communism and included the entire socialist stage in the transitional period, while the functions and characteristics of the proletarian dictatorship were copied intact for the phase of socialism; this resulted in confusing the differences of the proletarian dictatorship of the two historical phases and the occurrence of a series of major mistakes in both theory and practice. For example, we had, over a long period of time, regarded Lenin's discussion on the class struggle in the transitional period as a universal tenet on class struggle during the socialist period. Lenin said: The transitional period "is inevitably one in which class struggle is unprecedently cruel and its forms unprecedently acute" ("Selected Works of Lenin," Vol 3, p 200); the exploited classes would never resign themselves to defeat and would inevitably "fight with 10 times their efforts and fanatic zeal, and 100 times their bitterness to recover their 'paradise' lost and to fight for their families" ("Selected Works of Lenin," Vol 3, p 640); "small-scale production constantly, daily, hourly, and spontaneously gives rise to capitalism and capitalists in huge numbers" ("Selected Works of Lenin," Vol 4, p 181). These discussions were correct regarding the transitional period in Russia at that time, when the exploiting classes still existed and small production had not undergone transformation; but when we regarded them as the

theoretical basis for understanding the characteristics of class struggle in the socialist period and drew the wrong conclusion that the chief contradiction in the socialist society in China was still one between the proletariat and the bourgeoisie, this resulted in the grave consequences of enlarging class struggle. Since the 3d Plenary Session of the 11th CPC Central Committee, our party has thoroughly negated the erroneous inference "taking class struggle as the key link" and determined to take economic construction as the work focus of the whole party and nation, thus guiding China's socialist construction onto the road of victory.

The proletarian dictatorship is the combination of the dictatorship to the exploiters with the democracy to the people; this concept is very explicit in Marxist theory on the state. Lenin pointed out: The proletarian dictatorship "is a new-type state of democracy (it is so to the proletariat and the common poor people) and a new-type state of dictatorship (to the bourgeoisie, so to speak)." ("Selected Works of Lenin," Vol 3, p 200) Democracy and dictatorship are interdependent and restrict each other. However, in actual social life, in different historical phases of socialist development, the realms and positions of democracy and dictatorship vary. During the transitional period, because of the existence of the exploiting classes, class struggle was rather acute and the realm of the role of dictatorship in social life was more extensive, while in the socialist phase, the realm of dictatorship is relatively narrowed, whereas that of democracy is gradually expanded. Because at this time, the exploiting classes are extinguished, and the contradictions among the people have come to the fore, in handling social contradictions, democracy becomes the major aspect. Back in 1956, Comrade Zhou Enlai promptly proposed: "Regarding our people's democratic dictatorship at present: Dictatorship should be continued, while democracy be expanded.... Constant attention should be paid to expanding democracy; this point is of greater essential significance." ("Selected Works of Zhou Enlai," Vol 2, p 207) However, because we lacked scientific understanding of the mutual conversion in positions between dictatorship and democracy, while overly stressing the "strengthening of dictatorship" in a one-sided way, and even proposed the implementation of "exercising dictatorship in an all-round way" during the "Great Cultural Revolution," neglecting and even negating democratic construction, the development of the entire cause of socialist construction was gravely affected. Since the 3d Plenary Session of the 11th CPC Central Committee, our party has regarded the building of socialist democratic politics as one of the basic targets and tasks of socialist construction and put the realization of democratization of the political life of the state and the entire social life in an important place on the agenda. This is a correct decision in conformity with the characteristics of the initial phase of socialism in China.

Of course, we should also see that class struggle does not come to an end in the initial stage of socialism. This is not only because the remnants of the old exploiting

classes still exist, but new exploiting elements will continue to emerge. With the development of the situation of reform and opening, all sorts of antagonistic elements and criminals will make trouble and conduct sabotage activities. Therefore, in the initial phase of socialism, the existence of class struggle within a certain realm is an objective social phenomenon independent of people's will; hence, the need to adhere to the proletarian dictatorship under such a historical condition.

## II

The changes in the historical mission of the proletarian dictatorship in the initial phase of socialism will inevitably affect the functions of the socialist state. The state functions are determined by its nature. Any state, whether it is of the exploiting classes or the proletariat, has two basic qualities: its class quality and social quality. The so-called ruling function refers to the state applying force to suppress the resistance of the classes, groups, and individuals under its rule to safeguard the interests of the ruling classes—namely, to exercise the function of class struggle. The so-called social function refers to the function of the state to run economic, cultural, and educational undertakings and other social and public affairs. Just as Marx pointed out, any state and government should carry out "the functions generally needed that must be carried out by the state" ("Selected Works of Marx and Engels," Vol 2, p 438). Under different social systems, the nature of the functions in these two categories of the state and their roles and places in state life are different.

In their works, Marx, Engels, and even Lenin put comparatively great stress on the ruling function of the state—namely, the function of class struggle. That was the objective demand of the historical conditions of their times. Because Stalin made an erroneous analysis of the conditions of class struggle in the socialist society, he expanded the state function of class struggle to an inappropriate degree, resulting in the ruin of democracy and legacy and in grave political consequences. The CPC had similar lessons, and for a long period of time one-sidedly stressed the ruling function of the state while neglecting its social function. In the initial phase of socialism, the roles and places of the two functions of the state should undergo some changes. The essences and forms of the function of the state in governing and the realm of its role should change with the changes in social development. It was not until after the 3d Plenary Session of the 11th CPC Central Committee that such an understanding has undergone radical changes.

First, it is ascertained that the leadership and organization of economic construction is the basic function of a socialist state. The CPC has scientifically analyzed the political and economic conditions of China at the present phase, and correctly pointed out that when the socialist transformation of the private ownership of production materials was basically completed and the state has entered into the initial phase of socialism, the

major contradiction of the society has undergone radical changes. Although class struggle will continue to exist within a certain realm over a long period of time because of domestic factors and international effects, the ruling function of the state should continue to be maintained and brought into play. However, because class struggle in this phase is different from that of the transitional period, it is only class struggle limited to a certain realm. Many social contradictions do not possess the quality of class struggle. Under such a historical condition, the dictatorship function of the state should recede to a less prominent place, while the state function of running the economy and other social affairs should be elevated to a primary position. With the work focus of the whole party shifted to socialist modernization in this phase, the major task of the state should change from emancipating productive forces through class struggle to leading and organizing economic construction and harmonizing social relations, to protect and develop social productive forces.

Second, it is ascertained that the essences of the governing function of the socialist state as well as the way and method of governing must change correspondingly with the changes in the development of the social, economic, and political relations. Based on Marxist theory and the socialist practice in China, the CPC has proposed the principle that the ownership of enterprises under ownership by the whole people may be appropriately separated from managerial right. In other words, in the initial phase of socialism, the state, which represents the interests of all the people, should possess the ownership of major production materials, while leading and organizing economic construction in the overall situation. However, its function as the owner of production materials can be appropriately separated from that of the manager, just as in the case of "the conductor of an orchestra, who does not have to be the owner of the musical instruments of the orchestra" ("Collected Works of Marx and Engels," Vol 25, p 435). The state was too rigid in its control over the enterprises in the past. Confusing the ownership by the whole people with directly managing the enterprises was an important cause leading to this. In the economic structural reform, it is imperative to implement the streamlining of administration and decentralization, and the separation of the functions of the government from the enterprises to eliminate the malpractices of the state running affairs on a far too wide scope and under too rigid control, while the enterprises lack vitality. It is necessary to explicitly separate the functions of state organs from those of the enterprises, to change the overcentralized decisionmaking structure of the state in the traditional structure in particular. Decisions on the macroeconomy involving the overall situation of the national economy should be made by the state, while decisions of a microeconomic nature within the realm of the enterprises should be made by the enterprises. In principle, government departments should no longer run and control enterprises directly, nor should they intervene in the microscopic decisionmaking of enterprises. At the same time, the CPC has also

proposed that the way and method of the state organs in exercising their function of administration in that part of economic activities that must be run by the state should also undergo reform to meet the requirements of the new economic structure. This chiefly includes: Correctly handling the relationship between planning and the market, macroscopic control and microscopic invigoration, converting the governing function of the state to the track of consciously applying to the law of value and realizing a sound cycle; correctly handling the relationship between the state and the enterprises, converting the governing function of the state to the track of serving the grass roots and enterprises; and applying all kinds of regulating means, supervising and controlling in a comprehensive way, and converting the focus of the state running the economy to the application of economic levers and implementation of legal supervision.

In understanding the issue of converting the state function, stressing the fact that China is in the initial phase of socialism also means that we must understand the governing function of the state historically in a dialectic way. On the one hand, we must adhere to reforming the state function in running the economy and social affairs; by no means should we waver in our orientation of streamlining administration, decentralization, and implementing the separation of government from enterprises; on the other hand, we must fully understand the gradualness and long-term nature of the withering away of the socialist state and its functions. By no means should we hold the view that there is no longer any need for the state to exercise its functions on the grounds that structural reforms are carried out, the enterprises are invigorated, and the country is open to the outside world. In fact, the governing function of the state is indispensable in work in many fields; for example, regarding the crackdown on economic criminals, not only the governing function of the state but its function of dictatorship is depended on in settling their cases. Regarding the withering away of the state and its functions, we should not become impetuous and abolish the governing function of the state too early, when the conditions are not fully ripe. This would violate the objective law governing the social development of socialism, while being divorced from the actual conditions of the initial phase of socialism in China, and would eventually bring about confusion in economic life and even the entire social life.

### III

The change of the historical mission of the proletarian dictatorship in the initial phase of socialism as well as the changes it has brought about in the state functions make socialist democratic construction stand conspicuously on the agenda.

The democracy we usually speak of refers to the state system; however, socialist democracy obviously does not confine itself to this. The democracy in the initial phase of socialism actually includes democracy in the state

formation and the non-state formation as well. The 12th CPC National Congress report pointed out: "Socialist democracy should mainly be extended to every aspect of political, economic, cultural, and social life, and the democratic management in every enterprise and institution should be developed as well as the autonomy of the masses in social life at the grass-roots units." The democracy in "political life" spoken of here refers precisely to the people running the state. Through the system of the people's congress, the masses organize the government to run state affairs; democracy of this category belongs to the state formation. Democracy of "economic, cultural, and social life" means through the congress of workers and staff (in industrial and mining enterprises) and the congress of teachers and staff (in schools), neighborhood (village) committees in both urban and rural areas, as well as social organizations of every description, the masses participate in the running of all economic, cultural, and social undertakings. Although these democratic forms and the democracy of state formation have close ties with each other, they themselves belong to the category of democracy other than state formation. Regarding the social developmental trend, with the maturity of the socioeconomic, political, and cultural conditions, democracy of the state formation will gradually perish; this is what Lenin said: "The extinction of the state is precisely the extinction of democracy, the perishing of the state is precisely the perishing of democracy." ("Selected Works of Lenin," Vol 3, p 241) Democracy other than state formation will never perish but will develop and become complete and perfect with the maturity of social conditions until it becomes the sole formation of democracy. Of course, the withering away of the democracy of state formation is a long-term gradual historical process. Generally, in the initial phase of socialism, the democracy of state formation still takes up a rather great proportion and plays a dominant role in the entire democratic construction; therefore, we should continue to make it complete and perfect so that it may play a greater role. Although democracy other than state formation is still underdeveloped, it has a great future and vitality. It is the basic task for the democratic construction in the initial phase of socialism to actively make complete and perfect democracy of state formation and to develop democracy other than state formation in a big way.

Whether it is democracy of state formation or otherwise, there is the problem of the way of exercising democratic rights—namely, direct and indirect democracy. So-called direct democracy refers to the people directly exercising democratic rights, participating in the democratic administration of the political life of the state and social life. This includes the democratic system of grass-roots organizations, discussion and decision of some major issues by the whole people, participation in decisionmaking through the media and implementation of supervision, the systems of the masses airing their complaints through letters and visits, and citizens initiating new institutions. An important aspect to give play to the advantages of the socialist democratic system is to make

complete and perfect direct democracy to make the masses really feel they are the genuine masters of the state and society through actual democratic life. So-called indirect democracy refers to the masses electing delegates to represent them in exercising their democratic rights, and participating in the democratic administration of state and social life. Indirect democracy is precisely democracy of the delegate system, which includes the people's congress system and the delegate system of all other organizations. Such a form of democracy is indispensable in social life. Regarding the historical development of human society, the process of direct democracy developing into indirect democracy, and then into the combination of direct and indirect democracies, was the historical trend of the development of democratic forms. Because we are still in the initial phase of socialism, our economic and cultural levels are not high enough and their development is imbalanced—in addition to the deep-rooted pernicious effects of feudalism and the relative lack of democratic traditions—our democracy of the delegate system is far from complete and perfect enough, while direct democracy is still more underdeveloped. Therefore, the primary task in developing socialist democracy at the present phase is to make complete and perfect indirect democracy with the people's congress system as the core. At the same time, we should actively create conditions to develop indirect democracy, and combine these two democratic forms in an organic way so that they may promote each other.

The characteristics of the initial phase of socialism in China has determined the conditions of socialist democracy; at the same time, it explains that we should propose the building of socialist democratic politics as a strategic, basic task. Democracy was often regarded only as a means in the past. Engels pointed out: "To seize political power, the proletariat also needs a democratic form; however, regarding the proletariat, such form, like all other political forms, is just a means." ("Selected Works of Marx and Engels," Vol 4, p 443) Comrade Mao Zedong also said: "Democracy sometimes appears to be the end; in fact, it is only the means. Marxism tells us, 'democracy belongs to the superstructure and the realm of politics.' In other words, it serves the economic base in the final analysis." ("Selected Readings From Mao Zedong's Works," Vol 2, p 761) These statements were understandable under the conditions in which the proletariat was engaged in the struggle of seizing political power and in severe class struggles. As political superstructure, democracy is a means serving the economic base. However, it is not enough to understand socialist democracy in such a relative meaning. Socialist democracy has its own independent meaning. As an important essence in the advanced socialist system, as an important component part of the civilized socialist lifestyle, socialist democracy is a lofty target for which people have always strived and thirsted. Socialist democracy should be the end of the building of political power in a socialist country. In stressing the development of socialist democracy since the 3d Plenary Session of the 11th CPC

Central Committee, the CPC has proposed and grasped this issue primarily on the basis of the general target of socialist modernization. The "Resolution on Several Historical Issues Inside the CPC Since the Founding of the PRC," adopted by the 6th Plenary Session of the 11th CPC Central Committee, put it explicitly that the building of a political system with a high level of democracy is "one of the basic tasks of socialist revolution" and pointed out that "this is the end of the party's struggle in the new historical period." The 12th CPC National Congress report pointed out: "Building a high level of socialist democracy is one of our basic targets and tasks." The "Resolution on the Guiding Principle for the Building of Socialist Spiritual Civilization" reaffirmed this concept. We may say that proposing socialist democracy explicitly as an objective category is a new scientific understanding of our party in applying Marxist state theory.

#### IV

A major historical task for the building of socialist democracy in China at present is to carry out political structural reform. This is an important topic in applying Marxist state theory in a creative way by linking with the actual conditions of the initial phase of socialism in China.

The political structure is the specification of the political system. It is the total of all kinds of political equipment and ways of political activities in realizing the major functions of running the state and society, with the disposition of state power as the key essence. The political structural reform in China is the self-completion, self-perfection, and development of the socialist political system in order to better adhere to the basic political system, not a negation of the basic political system. Our basic political system is the people's democratic dictatorship. The eye-catching accomplishments China has scored in all fields over the past 3 decades and more have strongly evidenced the advantages of the socialist political system. At the same time, we should see that it has not been very long since we started building the socialist society and that the political system in the present phase is characterized by incompleteness and imperfection; inevitably, it bears the marks left over from the old society from its birth; at the same time, it comes under the restriction of the socioeconomic, cultural, and ideological conditions. China has a history of more than 2,000 years of feudal society; the effects of feudal autocracy are deep-rooted. The phenomena of bureaucratism, despotism, ruling in patriarchal way, and special privileges still exist. On the other hand, China went through a course of long-term revolutionary wars, and the war environment required a high level of centralization of leadership and command. That was an effective command structure, but no longer suits peacetime modern social life, which is on a large scope and highly complicated. These historical causes have led to the lack of due

vitality and vigor of our political structure, making it very difficult to entirely suit the continuous development of the socialist economy.

Since the 3d Plenary Session of the 11th CPC Central Committee, we have continuously conducted political structural reform and scored marked results. For example: Expanding and guaranteeing the people's democratic rights, making complete and perfect the system of the people's congress, gradually eliminating the personality cult and its effects, gradually abolishing the life tenure of leadership posts which exists in practice, pushing forward the separation of the party from the government, streamlining organs, reorganizing the Army, pursuing the director (manager) responsibility system, restoring the government at the township level in the rural areas, and strengthening the building of the legal system. All this has played a major role in pushing forward the implementation of the policy of reform and opening up as well as the progress of the socialist cause. However, the political structural reform in China has just begun, and many grave malpractices are still present in the existing political structure awaiting us to overcome. We may say that without eliminating these structural malpractices, the requirements of the socialist basic political system will fail to be embodied; moreover, the full play of the advantages of socialism will be affected.

Taking into consideration the social realities of the initial stage of socialism in China, we must have a full understanding of the arduousness and complexity of the political structural reform, adopt an active but steady scientific attitude, adhere to reform and blazing new trails, and gradually set up and make complete and perfect a political structure that is capable of giving full play to vitality, improving efficiency, and bringing forward the initiatives of the grass roots and the masses, to promote the progress of socialist modernization in an all-round way.

**'Only One Goal: Advance'—Learning From Lu Xun's Reformatory Spirit**  
OW172335 Beijing HONGQI [RED FLAG] in Chinese  
No 19, 1 Oct 87 pp 31-36

[Article by Chen Shuyu [7115 3359 3254]]

[Text] Literature speaks on behalf of society, embodies the aspirations of the times, and expresses current ideologies. Rapid social changes constitute an inexhaustible source of material for literature, which, in turn, promotes social changes by means of its enormous ideological and artistic momentum. The greater a writer is, the more difficult it is for him to remain indifferent to his country's future and his nation's destiny, and the stronger will be the relationship of mutual promotion between his works and social changes.

This applies to Lu Xun, who was not only a writer, but a reformer, firmly upholding the aspiration of devoting himself to social change. Together with our misery-stricken nation, he experienced the historical epoch of replacement of the old by the new, when China either had to change or perish. During that period of great historical disaster and hardship, he tirelessly explored the path to national salvation. He wrote not "for a position in the history of literature," but to serve the struggle for building an ideal new China. Although his works possessed unparalleled artistic value, he did not hesitate to violate troublesome taboos in the temple of art, when he had to react to, or fight against, harmful obstacles to social change. Over 60 years ago, a Japanese journalist said: "He (Lu Xun) is both a writer and a social reformer. His works show strong pro-reform sentiments.... He is a fighter for the basic reform of China." (Wan-Shan-Hun-Mi [0029 1472 2495 6617]—(?Maruyama) In Confusion—[the title of an article] by Zhou Shuren, carried in BEIJING REVUEW on 1 April 1923)

Later, Feng Xuefeng, an outstanding literature and art theorist of our party, said in his article "Satirical Literature and Social Reform" that, as a great satirical writer, Lu Xun was also a zealous social reformer. Although Lu Xun did not write a theoretical work on reform during his life, he paid great attention to studying history, the current situation, and work trends. His short stories aimed at "improving society," essays, and notes aimed at developing "civilized criticism" and "social criticism," abound with bright ideas of social reform. His viewpoints not only outshone those of many other thinkers of his time in depth and scope, but can still furnish boundless enlightenment to the reformers of today. Therefore, rereading his erudite and profound works will help us further understand China's national condition and the path and methods of changing the current situation, and will encourage tens of thousands of reformers, who are determined to make China strong, to vigorously advance along the path opened up by their forerunners.

## I

Our current reform aims at ending the ossified old system, building a new system compatible with the socialist commodity economy, developing productive forces, and eradicating poverty. Historical experience tells us that poverty is not tantamount to socialism, while socialism aims at eliminating poverty. Lu Xun attempted writing an essay entitled "Poverty," whose theme was: "Poverty is bad. We must forsake the customary view that poverty is good, because it actually means weakness. Thus, we do not want the communism of primitive society, because it was characterized by poverty." "Naturally, it is undesirable that some individuals are rich, but it is also undesirable for some individuals to be poor. In the final analysis, if society is our primary concern, we must not allow society to be poor." (Feng Xuefeng: "Unaccomplished Works Lu Xun Planned To Write," in "Remembering Lu Xun," the

RENMIN WENXUE Publishing House, 1981 edition) This exposition, which radiates the brilliance of historical and dialectical materialism, both negates the capitalist system, whereby a minority of people can get rich, and makes a clean break with bogus socialism or communism, which believes that "poverty is good." As a loyal patriot, Lu Xun soberly realized that, unless China could shake off poverty, it would continue to be a colony or semicolon, which "silently allowed itself to be trampled upon," and there would inevitably be no place for the "Chinese people" among the "peoples of the world." This is the plain and acute problem confronting our country and nation.

Social reform and human progress depend on liberating social productive forces, and, in turn, drastically developing the productive forces and increasing labor productivity depend, to a great extent, on scientific and technological progress. In "A Course on the History of Society," he wrote at the beginning of this century in the classical style, Lu Xun marveled that the global scientific progress of that time was stirring tides of reform which spread from Europe and America to the Far East, crept into China, and, like mighty torrents, produced wide-ranging effects and endless repercussions wherever they reached. Lu Xun fervently affirmed this enormous world progress and said that never had any reform in human society over the past 100 years been so drastic. This explained the great power of science and its role in promoting reform. Later, Lu Xun further realized that the natural sciences alone could not alter China's destiny, and that only by "seeking a remedy in basic and practical social sciences" ("Two-Hearts Collection: We Want Critics"), and by completely changing the existing semifeudal, semicolonial production relations, could productive forces be fully liberated and could Chinese society's poverty and backwardness be quickly ended.

Chinese people are world-renowned for their diligence, bravery, and creativity. The Chinese nation has made brilliant contributions to mankind. Since the middle of the Ming Dynasty, however, feudal rulers of various generations always pursued the "closed-door policy" of "neither going elsewhere oneself nor allowing others to come here." Consequently, people cherished the outmoded and preserved the outworn, stood still and refused to make progress, and firmly embraced the old rules handed down by their ancestors without daring to stir or innovate, so that Chinese society remained stagnant over long periods. Therefore, as early as 1903, Lu Xun and other students in Tokyo, from the same county of Shaoxing, jointly wrote a letter to the natives of their country, appealing to them to "seek knowledge from the whole world." ("Open Letters to Fellow Natives of Shaoxing," kept in the Lu Xun Museum in Shaoxing) He held that, when the world's contemporary trends of thought were surging in from all sides, the Chinese nation could no longer use 3,000-year-old shackles to fetter itself. He yearned to shed as many tears of blood as the water of the East China Sea, to burst embankments segregating China and keeping people ignorant, so that

our humiliated and shame-ridden mother country could speed ahead, under full sail, in the direction of world trends. His article "Hot Winds: People's Thinking Is Very Ancient" was full of anxious concern and indignation, and sounded the alarm for our nation. He particularly mentioned the Vedde race in Ceylon. These people had lived in mountain forests down the ages by hunting. "Living in a primitive state, they have no dealings with the outside world, and are not affected by other nations. Truly, they are like people of ancient times who lived a leisurely life, free from worries. It has been reported, however, that their numbers have been dwindling from year to year, and the race will soon disappear." This is an example of the consequences of closing a country to the outside world.

## II

The history of human civilization eloquently demonstrates that no country or nation, which rejects other countries' advanced sciences and culture, can develop and make progress. "Opening a country to the outside world" is applicable to the building of both material and spiritual civilization. That is, we should, as freely as a whale swallowing water, assimilate, and take as reference, the strong points of all nations and countries, including everything good in their political, economic, scientific, technological, literature, and art realms. Otherwise, modernization will always remain a good aspiration and not a glorious reality. Lu Xun always objected to the conservative and ossified mentality of rejecting advanced foreign experience. He implored reformers to have the boldness compatible with the "doctrine of taking for our own use," to broaden their minds, and to fearlessly assimilate as much new foreign culture as possible. He rebuked those who rejected advanced foreign science and technology as "creators of dumb and deaf people." This spiritual "deafness" would lead to cultural and ideological "dumbness." The evil result would be like using "blighted grain" to raise a species of mediocre, timid people, completely devoid of creativity. He also bitingly ridiculed as a "feeble intellectual class" those who were full of hesitation and caution whenever they came into contact with foreign objects. He held that strong and confident people would not behave like that. An analogy was that strong and healthy people probably need not ponder over what food they should eat; only the sickly had to abstain from many kinds of food. He said: "How can we make progress if we are so afraid and dare not make the slightest change? ... Though what we may assimilate is Western civilization, it will become our own. After all, our flesh will not become beef if we eat beef." ("Addenda to the Extra Collection: On the Intellectual Class") He hoped that the Chinese nation would have the heroic courage to "capture" foreign objects without rejection, fear, timidity, evasion, crouching, or trembling.

However, Lu Xun definitely did not argue for "total Westernization." In his time, Western capitalism had developed into the stage of imperialism. For one thing,

the feudal rule of the Qing Dynasty and the aggression of imperialism constituted the cause of the "accelerating decline" of China. For another thing, socialist movements running high in the West were increasingly more closely integrated with democratic revolutionary movements in oppressed nations in the Orient. Thus, the advanced elements of China at that time, including Lu Xun, had a new and important ideological characteristic: They opposed both feudalism and imperialism.

In his early work, "On Aberrant and Appropriate Culture," Lu Xun criticized the argument that "what people say is correct only if it concurs with Western ideas, and what people do is practicable only if it complies with Western methods." Although young Lu Xun did not then understand the basic contradictions of the capitalist system, he perceived the erroneous development of material and spiritual civilization in the capitalist world. He perceived the hypocrisy of bourgeois democracy and said: "Oppression was more intense than under a tyrant's rule, though it was claimed that government was by the people." He particularly resented the imperialist countries' plundering and bullying weak or small nations. He strongly despised those keen on learning trifles from foreigners and worshipping Western material civilization, calling them "guys who have little wisdom or ability."

### III

What was the bright way out for China? Wherein lay hope for the misery-stricken Chinese nation? After conducting prolonged probes into diverse arenas, and witnessing the failure of both the modernization of 1898 and the revolution of 1911, Lu Xun finally drew the following scientific conclusion from painful experience, in-depth observation, and repeated comparisons: The CPC alone, which was waging arduous struggles in adverse circumstances, really could represent the people's interests, the country's future, and the nation's hope; Marxism alone was the truth best suited to China's need for social reform; and socialism alone could save China. Therefore, at a time when Jiang Jieshi had forsaken the first cooperative venture by the Kuomintang and the CPC and millions of revolutionary fighters were cruelly massacred, he resolutely placed himself under our party's banners under those dangerous circumstances, without caring about life and death, and became a genuine "Bolshevik outside the party." After that, despite changes in the situation and obstacles in his way, his faith in our party and socialism never wavered, not even in the slightest degree. He was blacklisted and wanted, and had to take refuge elsewhere, "bringing along his wife and young children;" but even under those dangerous circumstances, he predicted, with great revolutionary optimism: "China must advance to communism, and must be saved by means of socialism. There is no other way." (Chang Wei Jing He [7022 1442 2529 0735]: "At Huayuanzhuang in Shanghai I Got To Know Lu Xun") Lu Xun's correct choice in politics, and rock-like firmness in working for the revolution should

be seriously emulated by people of our times who devote themselves to China and who are determined to take part in reform. It has been proved that a large country like China will become a "country where people are in disunity, like loose sand," a situation Lu Xun deeply regretted, unless correct leadership by the Communist Party is adhered to. If reform is stressed at the expense of socialism, it will deviate from the track of healthy development. This is not a profound theoretical question, but an irrefutable truth, which numerous pioneers like Lu Xun discovered by paying an extremely high price, and an invaluable teaching we receive from Lu Xun.

Marxists believe that historical activities are undertakings of the masses. The people's willpower and forces will ultimately determine the orientation and success or failure of reform. In a later period, Lu Xun corrected his earlier mistakes in viewing the question of "individuals" and "the masses." He became increasingly aware that the strength of the masses was "great and important." He implored people determined to undertake reform to "fully understand what is in the hearts of the masses" and to "try to improve and prudently guide" them. ("Two-Hearts Collection: Custom and Reform") Lu Xun, the communist, fervently praised the Chinese nation for its greatness in spirit because, "though its history is full of bloodstains, it has managed to continue to exist until today." He also fervently praised those belonging to various ages who can be revered as "the backbone of our nation" for voicing the aspirations of the people, being martyred in defense of the law, or working desperately against all difficulties. However, placing himself on a higher ideological plane, he continued to expose and castigate our nation's weaknesses, which were formed under some specific historical conditions, like self-debasement and self-contempt, fondness for deceiving oneself and others, prevalence of interpersonal barriers, and so on. He aimed to "reinvigorate and improve." Even at the hour of his death, he continued to think hard about this question, which he had been pondering all his life. He told his Japanese friend Kanzo Uchiyama: "I discovered something when I was ill in bed; that is, the 400 million Chinese people have a 'careless' sickness. If this sickness is not cured, it is impossible to save China. Japan has an efficacious medicine to cure this—the serious attitude of the Japanese people. So, even if we reject all of Japan, we still have to buy that medicine. I plan to say this after I have recovered." (Kanzo Uchiyama: "Reminiscences of Lu Xun," carried in WENYI BAO [LITERATURE AND ART], Issue 15, 1956) This gives us the enlightenment that, in the process of a great historical change, the Chinese nation not only needs to assimilate advanced science and technology from foreign countries, but should also learn from the strong points of its national character, to keep reforming and revitalizing its own national spirit. Currently, "carelessness" is a common and frequently recurring sickness adversely affecting the program of the four modernizations. An effective cure

for this stubborn sickness is the "serious" spirit advocated by Lu Xun. It is also the scientific spirit of seeking truth from facts, of seeking continual improvement, and of being highly responsible to the people, which is exactly the indispensable spirit we need for the four modernizations.

Reform and the development of productive forces depend on workers and peasants, who account for an overwhelming majority of our population. This is a rule that at no time can be disputed in the slightest. In a culturally backward country, however, intellectuals, who constitute a very small proportion of the total population, are particularly valuable. In the light of the lessons gained from history since the founding of the PRC, and the pressing needs of the current situation, it is particularly necessary to develop the role of the intellectuals who have become an organic part of the working class. This is a crucial measure in achieving China's four modernizations, and is basically in the people's interests. In light of the actual condition of the intellectuals of old China, Lu Xun rigorously analyzed the common shortcomings and unruly temperament of intellectuals, including himself. He stressed that intellectuals must participate in actual struggle, rigorously analyze themselves, and rectify the relationship between themselves and the masses. However, he never underrated their role in promoting social development, particularly in reform. In his early work "A Course in the History of Science," he highly appraised those scientific workers in the history of human civilization who were modest, careful, and in possession of lofty ideals. In his "Essays Written at Qiejie Pavilion: Literary Discourse by a Layman," Lu Xun emphatically pointed out: "In all reforms, the initial responsibilities belonged to the enlightened intellectuals." This he said "came from a lesson in history." Shortly before he died, Lu Xun had planned that, after he recovered from his illness, he would write a long paper on four generations of intellectuals in China. In the first generation were to be intellectuals represented by Zhang Taiyan in the last years of the feudal era. A small number of the advanced intellectuals of this generation participated in the Reform Movement of 1898 and led the 1911 Revolution. In the second were to be intellectuals of Lu Xun's generation. Some of the advanced intellectuals of this generation participated in the 1911 Revolution and led the May 4 Movement. In the third generation were to be intellectuals of Qu Qiubai's age group. Intellectuals from this generation participated actively in the May 4 New Cultural Movement and subsequently took part in and led the First and the Second Revolutionary Civil Wars. In the fourth generation were contemporaries of Feng Xuefeng. The intellectuals of this generation either took part in or felt the affects of the great revolutions. Later they became the backbone force in the War of Resistance Against Japan. These four generation of intellectuals typically reflected the 60 years of historial evolution in the transformation of China's old democratic revolution to the country's new democratic revolution. Today China's intellectuals are fulfilling the new historical mission of the current

period and ontributing their intellectual resources to the great work of four modernizations. Their heroic achievements are adding to this magnificent paper which Lu Xun never completed, and are also continuously adding sparkling chapters to China's history.

#### IV

If reform is to be successful, a contingent of reformers, whose hearts are illuminated by the "light of ideals" must be trained and perfected. Lu Xun said early on: "The mission of competing with nations of the world calls for the development of high-quality people initially; only then can everything else be successful." ("On Aberrant and Appropriate Culture: The Grave") That means: "Strengthening our country" calls for reform, which primarily requires "the development of high-quality people." Lu Xun thought that genuine reformers should be "steady, brave, capable of discrimination, and unselfish" ("Essays Written at Qiejie Pavilion: The Doctrine of Taking for Our Own Use"), and should be models for the whole nation to follow.

Being "steady" means being calm, unhurried, and not rash or frivolous. Lu Xun required reformers to proceed from reality and look squarely at it. Visions must not soar too high, and efforts must not be too violent. "If visions soar too high, the wounds would be exceptionally serious when they fall to the ground. If efforts are too violent, the body would be too tired to move again after one takes rest." ("Huagai [Imperial Carriage's Canopy] Collection: Fillers") Contemporary reformers must be guided by Lu Xun's instruction and, in the first place, understand the nature of Chinese society at the present stage. The historical experience of the international communist movement demonstrates that, under certain special conditions, some economically backward countries, in which capitalism is far from well developed, can bypass the stages of development of capitalism and leap into the realm of a socialist society. The theory holding that capitalism cannot be bypassed and "missed lessons must be made up" is completely wrong. However, socialism is a prolonged historical process, and China is currently at an early stage of socialism. Therefore, when we formulate guiding principles, policies, and measures for reform, we must neither forget the nature of socialism nor disregard the fact that we are at an early stage of socialism. Otherwise, we will be committing "leftist" mistakes again when we violate objective laws.

Being "brave" means that we must have the tenacious fighting spirit of "insisting on going ahead even in the face of difficulties and working with greater enthusiasm in the face of greater difficulties," the spirit of pressing forward with indomitable will and opening up a way out amid encompassing difficulties, and the heroic courage of "daring to think, speak out, act, and assume responsibility." We must soberly know that the arduousness of reform not only arises from nature, but also from the fetters of force of habit, and from the yoke of ossified viewpoints, which are like "heavy hardwood for making

coffins." Currently, there are not many people who basically oppose reform, but when reform measures in line with the basic and long-term interests of the majority of people affect people's short-term and immediate interests, when new measures change the old rules, there will often be internal and external, overt and covert, conscious and unconscious opposition, so that reforms will get into "a battle without soldiers." Lu Xun lamented: "The people, who have stiffened physically and spiritually, will invariably oppose even the slightest change. It seems they are afraid changes would cause inconvenience, but actually they are afraid of the undermining of their interests." ("Two-Hearts Collection: Custom and Reform") Lu Xun's lamentation aims at the traditional views and mentality, which were gradually formed under prolonged feudal rule. This force of habit becomes historical inertia affecting China's rapid development. Although the Chinese people's mental attitude has now undergone profound changes, reformers are still required to "work with perseverance" and perform a great deal of meticulous, practical, and effectual work among the masses, never giving up before the goals are attained. If such efforts are neglected, "all reforms will be crushed by the rock of habit." ("Two-Hearts Collection: Custom and Reform")

Being "capable of discrimination" represents Lu Xun's attitude to making choices in the realm of global civilization. In carrying forward national traditions, he based himself on "today," and in taking foreign experience as reference, he based himself on "China." He resolutely opposed making no distinction between good and bad, treating "Britain's opium," "Germany's waste guns and artillery," "French face powder," and "American movies" as priceless treasures, and allowing everything to dominate the market. Lu Xun not only praised the people of the Han and Tang Dynasties for their great courage of daring to assimilate foreign culture and using it at their disposal, but also favored the prudent Japanese attitude in selection, as reflected in the fact that, though they adopted many facets of Chinese civilization, they did not use torture in law and punishment, they did not have eunuchs in their palaces, and women finally did not practice foot-binding. These views by Lu Xun are still of immense theoretical and practical significance today. Chinese reformers should live up to Lu Xun's expectations. They should think diligently, be good at comparisons, and make a clear distinction between advanced foreign science, technology, and operation and management methods on one hand, and decadent foreign ideologies and styles on the other. We must absorb, as avidly as a sponge, all foreign knowledge useful to us, but we must not swallow any bitter fruit harmful to the interests of our nation and people.

"Unselfishness" is a lofty moral equipment for reformers. To be so, it is necessary to follow Lu Xun's example in "keeping China and its future in mind at all times, and being willing to contribute to the people" (Letter to Yang Jiyun, dated 22 May 1934). For the cultivation of flowers, we should be willing to be grass which will

eventually decay. We should be willing to be a piece of wood or a rock used in the construction of a building. Lu Xun paid high respect to "those who died for the cause of revolution" and "those who still carry on the revolution, despite sufferings." He looked down upon "those who secretly satisfied their selfish desires in the guise of reform." Throughout the course of reform, we should go all out to publicize the sacrificial spirit of "benefiting others at the expense of harming one's own interests" advocated by Lu Xun, and his spirit of dedication described as "feeding on grass, but giving milk and blood." It is imperative to be alert against the very few, but very harmful, "termite-type" people and guarding against their undermining our cause of reform from inside.

"As always, reform has never been smooth sailing" ("Essays Written at Qiejie Pavilion—Rebirth of the Chinese Language"). Just as mud is carried by the tide, so sand and pebbles are coming with the mighty surging current of reform, and a clear stream of water is impossible. Being a brand-new exploratory process, reform may be accompanied by one-time faults and setbacks, and it is absolutely impossible to "achieve success at a stroke." Lu Xun believed that there is no such thing as a world with many advantages but not a single disadvantage. Without paying the necessary price, and even making considerable sacrifice, Lu Xun said, it is impossible to gain experience and reap the fruit of success in conducting reform. He cited many vivid facts, and used analogy to explain, in an easy-to-understand manner, that "all new undertakings" inevitably take a tortuous road, but are bound to usher in a bright future, thus giving a powerful counterblow to those habitual supporters who attempted to "protect old mistakes" by "disallowing new mistakes." However, what Lu Xun did in opposing the practice of using the drawbacks of new things as a reason to eliminate them, does not mean that reformers should not squarely face and overcome the shortcomings and mistakes which actually exist. In Lu Xun's opinion, naive and crude as new things always appear when they are at the inceptive stage, reformers should make them grow and mature, so that young shoots will quickly become full-grown trees and beautiful flowers.

Now, the party Central Committee has put forward an inspiring strategic objective before the people around the country, and drawn up a grand, magnificent blueprint for our program of the four modernizations. We should emulate Lu Xun's spirit of reform. No matter how great the difficulties and dangers on the road ahead, we should always bear in mind his teaching: "There is only one goal—march forward!"

### The Best Way To Transform Social Traditions Is Through Aesthetics

OW160116 Beijing HONGQI [RED FLAG] in Chinese  
No 19, 1 Oct 87 p 36

[Article by Hou Jian [0186 0256]; excerpted from XUEXI YU YANJIU [STUDY AND RESEARCH] No 9, 1987]

[Text] "The best way to transform social traditions is through aesthetics." Ancient sages of China had long realized the influence of aesthetic education on people. As they saw it, a good way of transforming social traditions and abolishing outmoded customs and habits was through "aesthetics." In other words, we can transform social traditions by means of aesthetic education and aesthetics.

Why is it that "aesthetics" has the function of transforming social traditions and getting rid of the old to make way for the new?

The ancients saw "aesthetics" primarily as an important means of molding a person's temperament and bettering his ideological and moral cultivation. Confucius once said that in his self-cultivation, the gentleman must "begin with poetry, base himself on decorum, and achieve perfection through aesthetics." He regarded "aesthetics" as the supreme means of perfecting one's own self-cultivation. Plato, of ancient Greece, held that through aesthetic education, "a person can quickly see what is ugly in all works of art and in nature, and correctly detest such things. However, he will also be able to appreciate beautiful things when he sees them, and happily assimilate them as his nourishment. Thus, his character will become more noble and beautiful." He considered aesthetic education an important means of enhancing one's aesthetic judgment and cultivating a fine character.

The functions of aesthetic education do not end here. Aesthetic education also plays an important part in the intellectual development of a person and in the cultivation of his creativity. The part played by aesthetic training in enhancing a person's mental faculties is immeasurable, not to mention how it can broaden one's vision and enrich his knowledge. This is so because art, which is the kernel of aesthetic training, is the most imaginative aspect and the cultivation of one's imagination is an important condition for intellectual development. Aesthetic education can make people more imaginative and can enhance their creativity. It was precisely for this reason that Mr Cai Yuanpei [5591 0337 1014], the champion of aesthetic education in contemporary China, was so adamant that students of technical schools must attach importance to the study of art in order to overcome their lack of feelings, mechanical thoughts, and other weaknesses, and enhance their spirit of bravery and vigor.

Since aesthetic education can change a person's mental outlook, it can thus unify people's feelings, aspirations, and behavior by means of aesthetic ideals and guide them in the march toward new goals. Lu Xun was aware of this social function of aesthetic education. That is why he said literature and art are "the beacon guiding the future of the national spirit." Comrade Mao Zedong also

pointed out that literary and art works of a representative nature "can awaken and excite the masses and give them impetus to strive for unity, and to struggle and transform their own environments."

It must be further pointed out that this function of aesthetic education is something that cannot be substituted for by education in other aspects. The reason for this is that aesthetic education essentially deals with feelings. Thus, it has a special captivating power. Liang Qichao [2733 0796 6389] likened this power to magnetism, because you have no way of hiding from or resisting it. We have probably all had this experience when we were reading a literary masterpiece: Without our being aware of it, we enter the artistic world and share the thoughts and emotions of the characters. Like the life-giving spring breeze and rain, aesthetic thoughts and feelings seep into our minds. They exert their imperceptible influence and nourish our minds. This is what aesthetic education does. It influences people's customs and habits and consequently pushes the whole society forward through guidance and the exertion of a favorable influence. When we can clearly perceive this point, we will be able to appreciate the reason why our forefathers said that "the best way to transform social traditions is through aesthetics." lolo

**Garden Aesthetics and the Building of Gardens**  
OW161258 Beijing HONGQI [RED FLAG] in Chinese  
No 19, 1 Oct 87 pp 37-39

[Article by Wang Chaowen [3769 2600 5113]]

[Text] Garden aesthetics involves the assessment of the beauty of garden art. The questions it must explore are why garden art can accord with the aesthetic demands people make on them, and how they can satisfy those demands. In a situation where people do not lay particular stress on spiritual demands and quite strongly stress material demands, an examination of garden aesthetics, which is closely related to spiritual demands, possibly has a greater social role than the actual building of gardens.

For example, whether building of cable-cars in famous scenic places such as Huangshan and Taishan is a good thing or not is clearly a question which requires repeated study. I have not been sightseeing in these places since they started sporting their new clothes and I dare not make ill-informed comments. However, I believe that if people, after engineering and designing things, feel that they should do a little exploration and investigation into the beauty or otherwise of gardens, then garden aesthetics help them in understanding this question. Everything has two sides. While a cable-car can provide convenience in the transport of sightseers, it may also destroy the scenic spot or at least greatly damage its aesthetic value. Is the benefit or the harm greater? Clearly we need to make a careful assessment in overall terms and from a long-term angle. Even if there is a desire to build, we still have the questions of how to build and under the

guidance of what principles the building will be carried out. There is still the question of the relationship between the aesthetic object and the aesthetic subject. The point of departure for most projects, including urban construction, is the satisfying of sightseers' material needs. The results usually deviate from the spiritual demands of the sightseers. In modern terms, it is "construction damage" or "destructive nature of preservation." If money is expended on damaging the landscape to a degree where it is difficult to repair it, then this clearly calls for sober and objective reflection.

Originally the White Dagoba was the tallest thing in the capital's Beihai Park. However, in the 1950's, several tall buildings were built in front of the Five Dragon Pavilion, which resulted in damage, in terms of visual space, of Beihai Park. In the book "The Making of Gardens," the Ming Dynasty builder Ji Cheng stressed the importance of "incorporating a view." The hills behind the Summer Palace expand the target visual space and one can look far to the western hills. This is an example of successfully incorporating a view. However, the lessons of Beihai Park have not been paid general attention and today in many places there are similar improprieties which could have been avoided but have not been. For example, the beauty of the West Lake in Hangzhou lies in the overall exquisite scenery, not in any particular single attraction. The high peaks to the north and south as well as the Baochu Pagoda on Baoshishan play a good role in harmonizing with the flatness of the West Lake. Unfortunately, in recent years there have appeared along the shore of the lake modern buildings tens of stories high, and which have overpowered everything in terms of scenery. Now that the West Lake has been passively draped in these Western clothes, whether this lake which "looks beautiful in all climes" still retains its beauty is a matter which truly requires serious thought and summing up.

As for the building of gardens, exploration in garden aesthetics is of even more direct significance. In early June when I was in Zhenjiang, where ancient sites are many and the scenery is beautiful, I once again came across the inscribed stone with the characters "Mountain Forest of the City" written by Mi Fu. I also thought again about the cemetery of Liao Zhongkai and He Xiangning of the elder generation of revolutionaries, which I saw in Nanjing. The style of the cemetery, which is both solemn and accessible, is in my opinion rarely found. Although some more commemorative artistic decorations could have been added, the simple and unadorned plan, which includes suitable greenery, plays a good function in drawing people's respect as well as allowing them to have a feeling of closeness. In terms of garden building, the planning of this cemetery can be considered a masterpiece which is both entirely new and also has national character. This "Mountain Forest of the City" which is basically a monument is, as far as the aesthetic principle of traditional "mountain forests in the city" is concerned, both an inheritor and an innovator.

Late on 17 June, I hurriedly took a look around Yingtan Park in Yingtan city, Jiangxi. I had heard that it had been built from a private garden and really had a sense of "mountain forest of the city." The old camphor trees forming a dense forest made me feel as if I really was in a mountain forest and I forgot for the moment that I was still in a bustling city. I felt that the beauty had a deficiency in that the main gate of the park was too "stereotyped"—grand and majestic like that of a factory or a school. Also, the construction intended to embellish the park such as the big concrete bridge was, like the long bridge across the water in Guifeng Park, which is filled with strange and unusual rocks and stones, both too large for practical use and too large to accord with the aesthetic demands of viewing and admiring the scenery. The construction in some of the parks makes me feel that it opposes rather than conforms with the demand of "mountain forest in the city," as if there is a fear that sightseers will forget that they are in the city.

Artificial park decorations cannot add to the beauty of parks, and instead lead to an unsightliness where the secondary aspects overpower the primary aspect. The relationship between some humanist landscapes and natural landscapes is often one in which the major aspect and the subsidiary aspects are reversed. This is similar to a play, when a person who has to play a supporting role and is unresigned to that fact tries to steal the limelight. He ends up weakening the charm of the leading actor and makes himself look ludicrous. Whether success is achieved or failure results depends on the ideas guiding the builders, the carvers and the park and the urban construction workers. Having no guiding idea that incorporates an overall concept and long-term concept, as well as overlooking the individuality of different cities involves both an aesthetic problem and a problem of ideological method. For example, the current expansion of the namelist of cultural cities is, of course, a good thing. However, care must be taken to prevent good things from changing into bad things. The key to this will lie in whether or not the people involved have an overall understanding of the individuality and special nature of the history and current situation of specific cities. When I speak of an overall concept I do not restrict this to an overall concept for a particular city, but mean thinking about the city in terms of its position in the whole country and the whole world. If a city or a garden lacks a special character that distinguishes it from others and lacks a uniqueness, then at the very least it cannot be counted on to make a big contribution to tourism. More tellingly, this is an indicator of the local level of culture. People do not need purely nominal cultural cities. What they do demand are cities and gardens that manifest a Chinese style and local characteristics and have a cultural uniqueness. The meaning of the requirement to proceed from reality is not restricted to satisfying the needs of tourists.

In Shexian County in Anhui, those residential buildings full of rustic and local color and those architectural complexes in which there are gray tiles and white-washed

walls and fire walls, each with an individuality yet still forming an integrated whole, are situated in the ever-changing hues of the rivers and mountains. They give one a feeling that they are modestly, yet proudly, standing erect upon the earth. Such architectural complexes in which functionalism is combined with artistry, do not seek admirers, and yet can produce favorable impressions from admirers. However, such styles rich in local flavor should not become a target for simple copying by other areas. Copying them would be like the mainland copying Hong Kong's architecture, the north copying the south's architecture. It would be difficult to avoid losing one's own individuality, which one should respect. Likewise, it would not be the real expression of a tradition with an outstanding culture.

Unthinkingly knocking down old architecture that has historic value, a cultural relic value and an aesthetic value, chopping down old yet still vigorous trees, building Western-style buildings and erecting unartistic things are not an expression of a very high cultural level, and not the type of "modernization" we need. To avoid the type of construction we have seen in the past where problems are found when it is too late or the construction fails altogether (for example the construction failure at the famous Star Lakes in the south, where two "stars" were joined together by a Western-style building, resulting in two of the seven stars being lost), at the same time as again studying historical materialism and dialectical materialism, it is very important to study a little garden aesthetics.

In the construction of gardens, Suzhou and Yangzhou are models. If we just talk about the rock garden of the Huanxiu mountain villa in Suzhou and the rock garden of Ge Garden in Yangzhou, the grottoes formed from the rockery of yellow stones truly can be said to "have an excellence in that they employ the best of reality and the best of imagination." Going into these almost natural caves can truly give one the impression that one is in a mountain forest. However, on the streets of some cities today, without considering the special nature of that city's beauty, some rock gardens have been constructed which completely counteract the beauty of the scenery. Often these rock gardens have been erected without consideration of their situation and without concerns as to whether the rocks have been put together in a way that suits their natural grain. Some people say that from a distance these rock gardens look like a pile of garbage waiting to be cleared away. Having gained such an impression, can we blame these people for being so critical? Cao Xueqin once, through the words of Jia Baoyu, criticized "unnaturally putting a mountain where it is not suited." This aesthetic view should be taken as inspiration by those who engage in construction by simple copying and without suiting it to the local situation. This criticism in "Dream of Red Mansions" should not be equated with systematic works on garden aesthetics, but does it not have a certain applicability in the aesthetic construction of contemporary cities?

Certainly not all the gardens built in the past were completely beautiful. The piled stones of the Lion Forest in Suzhou have some defects. However, that is not to say that piled stones that copy the form of a lion are vulgar, but rather that the circuitous route formed by the piled stones appears too artificial. I do not believe that this is the way the famous artist Nie Yunlin conceived it. The way of strolling in a park is to "not follow the routes," that is to "leave the regular routes and walk elsewhere." Artificial and affected circuitous routes are not the correct way to provide artistic activities for people. Although a way of showing wonderful craftsmanship, these artificial winding paths actually masquerade as nature. They can, both in artistic and aesthetic terms, be set against the unadorned rock garden of the Huanxiu mountain villa mentioned above, which can give people the illusion of reality through its fiction.

Modern garden construction should draw precious lessons in terms of how to create beauty from the classic gardens, including the Lion Forest, Canglang Pavilion, Liu Garden, Zhuozheng Garden and Wangshi Garden, as well as from the hotels and rest-houses on the banks of the Star Lakes and Ding Lake. Further, the window boxes in many areas can induce beautiful visions. They provide sightseers with a dynamic natural painting. Outside the windows there may be anything from a single stalk of green bamboo to a stone wall covered with greenery. These have a charm for sightseers that pictures cannot replace. These successful constructions which respect the aesthetic subject, that hope which people desire to realize, and which respect aesthetic interests and capacities, quietly manifest the highest achievements in garden art. They are of unlimited value as teaching materials in aesthetic education.

The principles of garden art are separately embodied in Ouyang Xiu's "Account of the Drunkard's Pavilion," Su Shunqing's "Account of Canglang Pavilion," Su Dongpo's "Account of the Crane Pavilion," Yuan Zhonglang's "Account of the Tiger Hillock" and other famous travel accounts. These travel accounts show the positive effect of garden art on people's spirits. Its value lies not only in pleasing and satisfying people's aesthetic experiences, interests and capacities, but at the same time it pleases, it can also create travelers who are good at appreciating beauty and raise people's noble sentiments. Of course, travelers as aesthetic subjects, on approaching scenery which is the aesthetic object, unavoidably have different and sometimes opposing attitudes and feelings. If we take the conglomerate rocks of Kangfayan in Zhejiang as an example, they might induce in travelers a lament that a person's life is far shorter than that of nature, or the travelers may not think about the length of life, but may gain pride and self-confidence for positively engaging in their work at their posts. When Yuan Zhonglang visited Tiger Hillock, that place where "when the singers hear the magistrate coming, they all go to hide themselves," the effect on his spirit was that at the same time as negating "the tyranny of the officials and the vulgarity of the attendants," his healthy, rather than his

mean, sentiments were strengthened. However, all the scenery in parks, as the aesthetic objects, must have the inspiration and education of noble beauty for travelers as a precondition. The various park constructions that simply are seeking money, such as at the Ming tombs where the ticket inspectors are dressed up as eunuchs, require us to think deeply about whether they are actually fostering beauty or ugliness.

The basic issues in park aesthetics are the exploration of the aesthetic relationship between the aesthetic object and the aesthetic subject, the provision to the subject of objective conditions that are in accord with developing aesthetic demands, and the continued creation of subjects who understand beauty and correspondingly accept education in the good and the true. The problems involved are numerous, however, the builders of gardens who are aesthetic subjects responsible for creation must first receive aesthetic education. That principle of Mao Zedong's which required "popularization under improved leadership" is not outdated. Garden art as aesthetic teaching material must have a high level. If the tastes of those responsible are not high, and they only look at economic benefits and functional value ignoring looking lightly upon aesthetic value and even historical value, for example by fantasizing about "restoring" a famous fictitious building and not worrying about exhibiting fake artifacts, then it cannot be considered that the builders or spiritual engineers are playing a positive role.

Garden aesthetics involve people's spiritual lives and the exploration of garden aesthetics is a type of spiritual and cultural construction. If people have the will to make special contributions which are in accord with the needs of the times to garden construction, then studying something about garden aesthetics will certainly be beneficial.

**Expositions on Several Important Views in the Revised and Enlarged Edition of 'Building Socialism With Chinese Characteristics'**  
*OW160000 Beijing HONGQI [RED FLAG] in Chinese No 19, 1 Oct 87 pp 40-43*

[Eighth part of article by the HONGQI Theoretical Education Editorial Office]

[Text]

**VIII. On Realizing the Reunification of the Motherland and Safeguarding World Peace (Part One)**

[By Li Mingsan [2621 2994 0005]]

**25. "One country, two systems is a concept put forward in accordance with the actual situation."** (Deng Xiaoping: "Building Socialism With Chinese Characteristics," revised and enlarged edition, p 90)

"One country, two systems" is an abbreviated way of saying that a single state has two types of systems. Its meaning is that in the PRC, with the precondition of

national unity, the mainland with its population of one billion people will have a socialist system, while the regions of Taiwan, Hong Kong, and Macao will have a capitalist system which will remain unchanged for a long time. This is a major strategic principle formulated since the 3d Plenary Session of the 11th CPC Central Committee in order to achieve the great cause of the reunification of the motherland. It was first put forward by Comrade Deng Xiaoping when considering the resolution of the Taiwan and Hong Kong questions. Later, following the progress of the discussion between China and Britain on the Hong Kong question and between China and Portugal on the Macao question, he made numerous further expositions to make this concept more complete

From ancient times, Taiwan, Hong Kong, and Macao had been China's sacred territory and subject to the jurisdiction of Chinese administrative organs. It was only with the continued incursions of colonialism and imperialism, especially after the 1840 Opium War, that the corrupt Qing government, having failed in its resistance to the incursions, was forced to sign the humiliating "Nanjing Treaty," the "Beijing Treaty," and the "Treaty of Shimonosei." Thus, Taiwan was ceded to Japan, Hong Kong was ceded to Britain, and Portugal's "perpetual management" and "rule" of the Macao region was recognized. Not long after Taiwan returned to the motherland after the conclusion of World War II, it was again artificially split from the mainland in 1949. The nature of the Taiwan question and the Hong Kong and Macao questions is different, as the former is a question of uniting with the mainland, while the latter are questions of regaining the exercise of sovereignty. However, these are all important components of the great cause of unifying the motherland. Ending division and achieving the reunification of the motherland is a brilliant task which history has given to the Communist Party of China and is also the common aspiration of the entire Chinese nation, including including the patriots of Taiwan, Hong Kong, and Macao. How are we to fully complete this historical task? Comrade Deng Xiaoping has pointed out: "There are two ways to resolve the Taiwan and Hong Kong questions. One is the nonpeaceful means and the other is the peaceful means. Using nonpeaceful means, that is to say using weapons, to resolve the questions is not a good way." (Deng Xiaoping: "Building Socialism With Chinese Characteristics," revised and enlarged edition, p 57) If peaceful means are to be used to resolve the questions, then a method which is fair and reasonable and which all sides accept had to be found. This is the implementation of "one country, two systems." It is not only in accord with the history and current condition of these regions but is also in accord with the reality of the motherland's mainland.

First, the implementation of "one country, two systems" will be of benefit to the long-term stability and prosperity of the Taiwan, Hong Kong, and Macao regions, as well as to the four modernizations of the motherland's mainland. Throughout history, Taiwan has suffered many

difficulties and foreign invaders long ordered the people about. Even now, reactionary forces in some foreign countries have not given up such ideas. Because it is separated from the mainland, its position is unstable. The KMT authorities hold fast to the "reunification of China under the Three Principles of the People." That is, they are trying to use capitalism to swallow the mainland's socialism. Clearly they cannot achieve this. The best concept for the mainland to peacefully resolve the Taiwan question is the implementation of "one country, two systems." Under this concept, Taiwan will not only be able to maintain its capitalist system, but on the precondition of it not threatening the mainland, Taiwan can maintain its armed forces and its party, government, and military systems under its own control. The central authorities will not send people there. After the achievement of peaceful reunification, Taiwan's position will be stabilized and foreign forces which covet Taiwan will have to carefully consider China's attitude. Hong Kong holds a pivotal position in Eastern and Western economic affairs and trade. As a free port, it has drawn a large amount of foreign capital. It has become the third financial center and container traffic center of the world, and it forms a part of the overall international economic system. Maintaining its existing capitalist system and thus maintaining its special position in the international trading system will be of benefit to its continuing to develop close trading relationships with the various countries of the world and will be of benefit to its stability and prosperity. Hong Kong is also a major bridge linking the mainland and the capitalist countries, and is an important entrepot port. Using its position and conditions to draw in funds, advanced technology, and scientific management experience for the mainland, it will play a major role which cannot be ignored in the four modernizations. If Hong Kong's capitalist system is not maintained, it will affect and may even destroy its positions and conditions, perhaps leading to it becoming a depressed region. Maintaining its system is not only in Hong Kong's interests, but also in the interests of the mainland.

Second, implementing "one country, two systems" is considered from the angle of finding a method which all Chinese people can accept. The use of peaceful means to resolve the Taiwan, Hong Kong, and Macao questions reflects the wishes of all Chinese people, including the compatriots from these regions, and requires consideration of the interests of all sides so that they will all accept a certain form of state management. What then is a form which the people of the whole country can accept? The Taiwan, Hong Kong, and Macao compatriots have long lived under capitalist systems and are used to the social life styles which have been formed. Thus they hope that after the motherland is unified, they will be able to continue to maintain the existing capitalist systems and life styles. This wish should be respected. As far as the one billion people of the mainland are concerned, it is their historical choice and in their basic interests to follow the socialist road under the leadership of the Communist Party. Following the capitalist road of "total

Westernization" would go against their wishes and absolutely cannot be agreed to. It should be recognized that only if the mainland firmly adheres to leadership by the CPC and adheres to the implementation of socialism will it be possible to guarantee that the Taiwan, Hong Kong, and Macao regions are able to practice capitalism. Without the great body of socialism, the precondition for these regions to maintain capitalism would be lost, and thus there would be no "one country, two systems." It should also be recognized that following the implementation of the policies of reform and opening up in the mainland, the people of the mainland understand that the socialist society is still in the initial stage and that the capitalist components which have appeared in some areas are only beneficial supplements to the socialist economy. They will not be able to change the main body of the socialist economy, and will see this is actually beneficial to modernization. Thus, they can understand the wishes of the Taiwan, Hong Kong, and Macao compatriots in desiring to maintain the capitalist system and life-styles, and can support the principle of "one country, two systems." It can be seen that in peacefully resolving the question of the Taiwan, Hong Kong, and Macao regions, neither a capitalist one country, one system nor a socialist one country, one system concept would be acceptable to all the people of the country. Only "one country, two systems" will accord with their wishes.

Third, the concept of "one country, two systems" has been put forward in accordance with the requirement of a peaceful international situation for the four modernizations. By the end of this century our country wants to achieve a quadrupling of gross annual industrial and agricultural output value and realize the goal of a moderately well-off society. Afterwards, through our efforts over 50 years, if our country is to approach the level of the world's middle-level developed countries, it will not only require a domestic political situation of stability and unity, but will also require a long-term peaceful international environment. Today, as the economic and cultural interflow between the countries of the world becomes greater and the frequency of activities on an international scale increases, major changes on a local or partial scale will often affect the overall international situation. The resolution of the Taiwan, Hong Kong, and Macao questions will, apart from being in China's interests, also naturally involve the interests of the United States, Britain, and Portugal in these regions. If they are not handled well, it may lead to hidden troubles in these relations between one side or another, and may even result in international strife. Thus, seeking the best method of resolution is important in strengthening the cooperation between the Chinese people and the peoples of these countries and in safeguarding world peace. The use of the "one country, two systems" method to resolve these questions will both enable national reunification to be achieved and guarantee these regions' stability and prosperity, as well as assure that the interests of the United States, Britain, and Portugal are not harmed. It is acceptable to all sides. In this way, the hot spots in

China's relations with these countries will be eliminated. This will be of benefit to stability in the Pacific Ocean region and to world peace. Not long ago, Comrade Deng Xiaoping again pointed out that after Taiwan, Hong Kong, and Macao are united with the mainland, the existing systems in these regions would remain unchanged for 50 years, and that it was more necessary that they did not change in the subsequent 50 years. This provides a further major guarantee for the smooth implementation of our country's four modernizations by creating a long-term international environment of peace.

In brief, the concept of "one country, two systems" proceeds from firm adherence to Marxist dialectical materialism and historical materialism, the interests of the entire Chinese nation, and the historical demand to unify the motherland. It is a product of the party's ideological line of seeking truth from facts, an important part of building socialism with Chinese characteristics, and a state theory for developing Marxism. The proposal of this concept manifests the strategic view and extraordinary insight of our party in considering the question in terms of the overall situation of the socialist cause and the future.

After the concept of "one country, two systems" was put forward, the Chinese Government successively held discussions with the British and Portuguese Governments. By placing stress on the overall situation, seeing things from the long-term view, and a spirit of mutual understanding, the two sides involved signed, on 19 December 1984 and 13 April 1987 respectively, "joint declarations" in regard to the Hong Kong and Macao questions. In this way, in accordance with the idea of "one country, two systems," the question of China's recovery of sovereignty over Hong Kong and Macao was satisfactorily resolved. A base was laid for the long-term stability and prosperity of Hong Kong and Macao. This was well received by compatriots of all circles in Hong Kong and Macao. This is an important achievement by the Chinese people in realizing the great cause of the motherland's reunification. The resolution of the Hong Kong and Macao questions shows that the state structure of "one country, two systems" is completely feasible and has great vigor. It will certainly have a positive influence in achieving at an early date the reunification of Taiwan and the motherland. At the same time, it provides a new experience for those states and nations in the world which are still divided, in terms of the achievement of peaceful reunification, and provides a successful example for using peaceful means to resolve international disputes, especially problems between countries left over from history.

[By Li Ming [2621 7686]]

26. "We hope that the KMT and the CPC will together complete the reunification of the nation and that everyone will make a contribution to the Chinese nation." (Deng Xiaoping: "Building Socialism With Chinese Characteristics," revised and enlarged edition, p 17)

Realizing the reunification of Taiwan and the mainland is the common aspiration of the entire Chinese nation including Chinese compatriots abroad, and, in particular, it is a strong demand by the people on either side of the straits. Taiwan has since ancient times been China's sacred territory. Its politics, economics, and culture have all along been closely linked to the mainland. Opposition to division and maintaining unity have always been the patriotic tradition of the people on either side of the straits. In the 300-plus years before 1949, although Taiwan was split from the mainland three times, it was always reunited shortly. Each time when there was a split, whether it was caused by Dutch colonialist attacks, occupation by Japanese imperialism, or by domestic separatists, they severed all aspects of the relationship between Taiwan and the mainland and brought great harm to the state and the people. Thus, these splits always met with the intense opposition of the people. When Japan occupied Taiwan in 1895, the whole nation shared a bitter hatred of the enemy and the people of all strata in Taiwan rose to oppose the enemy. They engaged in an epic struggle which resulted in the invaders paying the price of over 36,000 people killed or injured. In the 50 years of Japanese occupation, the Taiwanese people repeatedly rose against occupation and this continued without end. Just armed revolts and uprisings numbered over 20. But efforts to reunite Taiwan with the mainland are wholeheartedly supported by the people. When Zheng Chenggong led his troops in expelling the Dutch colonialists, "local men and women clogged the roads offering flasks of wine." The Gaoshan nationality people "on hearing the news, joined them." Zheng Jing and his son Zheng Keshuang successively used troops to support their separatist regime and obstructed reunification with the result that the masses turned against them and their allies fled. When Emperor Kangxi sent troops to Taiwan, "the people lined the roads with flasks of wine and the sailors all made Qing flags to welcome the Imperial troops." This shows that the separation of Taiwan and the mainland goes against the basic interests of the people and that the achievement of unity is their wish. History shows this, and it holds true even more in the present situation. Since 1949, when Taiwan was again split from the mainland, the people on the two sides of the straits have keenly felt the pain of being separated from their relatives. In order to change this situation, they have ardently opposed any plans for Taiwan's independence and have thought of ways to inquire about tidings from relatives on the other side of the strait, to make contact, and to meet even for a short time with those they miss. More and more Taiwan compatriots are breaking through the various barriers. After passing through various places, they have returned to the mainland to sightsee and to meet relatives. Many Overseas Chinese and compatriots as well as foreign-national Chinese have not forgotten their ancestors and their homeland and have used various methods to promote positive progress toward reunification. It can be seen that ending separation and realizing reunification has become the cry and the practical actions of the whole nation.

Realizing the reunification of Taiwan with the mainland is also a requirement for the invigoration of China. The unity of the country and the unity of the nation have throughout history been major issues relating to the basic interests of the country and the nation. In the several thousand years of historical development of the Chinese nation, the process by which the state has gone from separation to reunification, from small reunification to major reunification, and from further separation to further reunification fully proves that when there is division, the nation suffers and the country is weak. The reality of 30 years of separation between Taiwan and the mainland shows this as both sides have suffered harm. Because of separation, Taiwan can only be an orphan in international society and its position can never be stable. Because of separation, Taiwan has no way to use the mainland's rich resources and wide market, which restricts the development of its economic independence. It thus must rely on foreign countries. The weakness and reliance of its economic structure will become a problem difficult to overcome. Because of separation, the mainland also suffers many losses it should not suffer. It can be seen that ending the situation of confrontation between the two sides of the straits and realizing the reunification of the motherland is a pressing demand on both Taiwan and the motherland, and is where the basic interests of the country and the nation lie. Only by the realization of reunification will it be possible to centralize all strengths in construction so that the country can become prosperous and strong more quickly. Thus, all people, classes, levels, groups, and parties who love the nation and love the country should place great stress on the righteous cause of the nation, give up past resentments, and, hand in hand, shoulder this major historical task.

To realize the reunification of the country requires an appropriate method. Using arms to unify the country will inevitably harm people's lives and property and will be disadvantageous to both sides. Only peaceful reunification can be considered the best option. Realizing peaceful reunification will require the common efforts of the people of the whole country, but is primarily an unshirkable obligation of the KMT and the CPC. The logic in this is very simple, because the two parties are the parties concerned and the parties in power. One is the concrete manager of Taiwan, while the other leads the 1 billion people of the mainland. If the two parties remain in opposition, the separation will continue; while if the two parties cooperate and discuss national matters together, reunification will follow soon after. The historical experience of dealings between the two parties shows that linking hands in cooperation for a common goal is beneficial to both the country and the people. In history, the two periods of cooperation between the KMT and the CPC were highly effective. In the first period of cooperation between 1924 and 1927, the two parties victoriously carried out the Northern Expedition and strongly promoted the development of the national revolution. In the second period of cooperation which began in 1937, the two parties facilitated the reunification of

the whole nation in the struggle against Japanese aggression, achieving the first complete victory in a war against aggression in China's modern history. Now the specific goal of the two parties' cooperation is different, but it is still an issue which involves the basic interests of the country and the nation. The two parties advocate a unified China, support the idea of one China and oppose the stand of two Chinas. This provides a common base for new cooperation between the two parties. Thus, Comrade Deng Xiaoping has pointed out: "Peaceful reunification has become the common aim of the KMT and the CPC." "We propose holding talks between the two parties on an equal footing to achieve a third round of KMT-CPC cooperation, rather than talks between the central and local governments." (Deng Xiaoping: "Building Socialism With Chinese Characteristics," revised and enlarged edition, pp 17, 18)

If we are to achieve the peaceful reunification of the country through cooperation between the two parties, then it is necessary for the two sides to adopt realistic attitudes and positively create conditions. In this respect, the Communist Party of China has made unremitting efforts. Its principles are clear and its measures are specific and feasible. On New Year's Day 1979, the Standing Committee of the NPC issued the "Letter to Taiwan Compatriots" earnestly proclaiming the principles for realizing the peaceful reunification of the country. Subsequently we put forward proposals for achieving, at the earliest date, postal, transport, and commercial contacts as well as economic, scientific, and cultural exchanges between the two sides of the straits. On 30 September 1981, Chairman Ye Jianying issued a statement further elaborating the principles for Taiwan's return to the motherland and the achievement of peaceful reunification, and issued a nine-point proposal for the third round of cooperation between the two parties. In July 1982, Vice Chairman Liao Chengzhi sent the "Letter to Mr Jiang Jingguo," urging him to make an early decision and realize the eternal achievement of the peaceful reunification of the motherland. In June 1983, Comrade Deng Yingchao, in the opening speech at the First Session of the Sixth CPPCC, pointed out: Under the precondition of the reunification of the country, all matters can be discussed. After reunification, the KMT and the CPC will long coexist and supervise each other. In June 1983, Comrade Deng Xiaoping in a speech further elaborating the principles for peaceful reunification, proposed that "there be more contact and increased understanding" and that the mainland be able to send people to Taiwan at any time, and welcomed them to send people to the mainland. Safety and secrecy would be guaranteed. Following the developmental process by which the Hong Kong and Macao questions were resolved, Comrade Deng Xiaoping repeatedly elaborated on the strategic principle of "one country, two systems" and clearly pointed out that as long as Taiwan unites with the mainland, everything else will remain unchanged for a long time. These proposals show that the CPC respects history, respects current reality, fully considers the wishes of the people of all nationalities on

Taiwan and the situation of the Taiwan authorities, and not only considers the present, but also considers the future. The resolution of the Hong Kong and Macao questions proves the strong vitality of the "one country, two systems" concept. In the same way, this is the correct principle for realizing the peaceful reunification of Taiwan with the mainland. The sincerity and the proposals of the CPC have won the support of the people of all nationalities throughout the country, and have been praised by knowledgeable politicians and people who love peace and democracy throughout the world. It can be said that the implementation of cooperation between the two parties, thereby realizing the peaceful reunification of the country, will encounter no obstacle on the CPC side. It now remains for the KMT to take earnest actions.

The reunification of Taiwan and the mainland is an internal matter for China. How to unify and when to unify are matters for the people on the two sides of the straits. It is a matter for discussion and resolution by the KMT and the CPC. No foreign country has the right to interfere. However, the idea of some reactionary forces in some foreign countries of coveting Taiwan has still not died. They continually start strife and create obstacles, obstructing the reunification of Taiwan and the mainland, and trying to keep Taiwan permanently separated from the mainland. These ideas and efforts are firmly opposed by the Chinese people. The modern history of China has repeatedly proven that the intrusion of any foreign country into the internal affairs of China will inevitably harm China's independence and sovereignty and the resulting calamities will be endless. In this respect, during the process by which the peaceful reunification of the country is achieved, the people of all nationalities throughout the country, including the people of Taiwan, must maintain a high degree of vigilance.

Today, the ending of the separation of Taiwan from the mainland and the realization of the peaceful reunification of the country has become an irresistible historical torrent. "Adapt to the world trends, accord with people's demands" was a famous dictum of Mr Sun Yat-sen, which manifested the noble spirit of a great patriot in actively forging ahead. Today, patriotism means loving both the unity of the nation and the unity of the country. Realizing the peaceful reunification of Taiwan and the mainland is both the best inheritance and carrying forward of the spirit of Mr Sun Yat-sen as well as an important expression of patriotism.

**Sixth Lecture of the Forum on Socialist Commodity Economy: Commodity Economy and Currency Circulation**  
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[Article by Huang Da [7806 6671]]

[Text]

### I. Currency Circulation and Amount of Currency in Circulation

Currency was developed in the wake of commodity exchange. The prime function of currency is to reflect the value of commodities. Whether or not a commodity has a value and how much the value should be expressed in a single way in the commodity economy, that is the price as indicated in currency. Commodity producers are not only required to reflect the value of their products, but also to realize it, which is more important. Only when a producer obtains a certain amount of currency circulation through sales of his products will he be able to buy commodities that he needs or pay for labor services rendered to him. Currency may also be used to maintain the value, to realize the unidirectional transfer of value among various owners, to develop international economic contacts, and so on. To a great extent, all these have facilitated the operation of commodity economy to such a level that we can say that there will not be any development of the commodity economy without currency.

Currency corresponds to commodities. The continuous process of exchange between them is the process of circulation in which the characteristics of currency movement differ from those of commodities. The sold commodities or commodities put into production or daily consumption are the ones withdrawn from circulation. Furthermore, the provision of labor services is a process of consumption and therefore does not remain in circulation. For currency, it may be used by A to purchase goods made by B, and B may use it to buy a commodity from C while C may use it to pay for labor services rendered to him by D, and so on. It will continuously be in motion. Hence, such continuous movement of currency in circulation is currency circulation.

The earliest forms of currency were shells and livestock. This later changed to copper, silver, and gold, which were minted in uniform patterns called coins. For instance, in China, there were spade-shaped copper "bu" coins and knife-shaped copper "diao" coins in the spring and autumn periods of the Zhou Dynasty. For a long time thereafter, China's popular shape for copper coins was round with a square hole. Beginning from the Qing Dynasty, silver coins became popular as a result of the influence of foreign countries. The precious metals which were used as currency were sometimes not minted in a fixed and regular pattern. For instance, silver was long a popular form of currency in China. Currency in the form of a printed piece of paper or similar materials was developed while metal currency was in circulation. One type was notes issued by the state and was used through enforcement. China had already issued quite a number of such notes in the Southern Song Dynasty. Such notes were circulated on a full scale during the Yuan Dynasty, which astonished Marco Polo. Another kind of note was issued by banks, that is, bank notes. At first, one might bring these notes to the issuing bank in

exchange for coins. Such a practice was stopped when the state guaranteed the validity of such notes. Today, bank notes circulated in many countries are those issued by the central banks. In China, these notes are renminbi issued by the People's Bank of China. Currency in circulation may be divided into cash and bank deposits according to its form of existence. China mainly uses cash to purchase agricultural products, make payments for labor, and for small amount transactions. The greater part of currency we use in our economic life is bank deposits. The reason this is called currency is because one may use it to realize purchase and make payments. No matter what country is referred to, the settlement of major transactions, as well as large payments, are mainly made by means of the transfer of deposits.

No matter what form we use in our modern economic life, currency is put into circulation through the gate of credit. For instance, when agricultural products are put on the market, the supply and marketing cooperatives ask for loans from banks in order to organize purchases. The banks give credit to the cooperatives and grant them loans in cash. Therefore, the amount of loans is increased and cash is put into circulation. For another example, a bank may grant loans to a commercial enterprise when the latter wants to purchase industrial goods. Thus, after the enterprise uses such loans to pay for its goods, a factory will debit the sum in its bank account. In this case, both the loans granted by the bank and the amount of deposits in the bank are increased. If one uses cash and deposits to repay such loans, both the amount of loans and that of deposits will be reduced while cash will be withdrawn from circulation. The fact that cash is transformed into deposits by depositing in banks or that cash is withdrawn from an account is the transformation of currency form from one type to another. In other words, changes in the amount and the proportion of any form of currency in circulation are mainly realized by the numerous provision and repayment of loans by banks, as well as through deposits to and withdrawal from bank accounts, throughout China. Therefore, we must control credit in order to control currency circulation.

The fiscal department is also significant in readjusting the amount of currency in circulation. Through taxation, it withdraws part of the currency from circulation and later puts it back into circulation by means of government expenditures. The amount of currency in circulation will remain unchanged if it strikes a balance in receipts and expenditures. Such an amount will be reduced if the balance of receipts is greater than that of expenditures. Additional sources of currency will be required for circulation when the balance of expenditures is greater than that of receipts, that is when there is a deficit. The amount of currency in circulation will remain unchanged if we take reduction of the expenditures originally arranged by individuals and enterprises as the additional sources of currency. In most circumstances, however, the additional sources of currency are

eventually realized by expanding the scale of the issuance of bank notes and increasing the amount of currency in circulation.

As we have started economic contacts with the outside world, the balance in foreign exchange receipts and expenditures has exerted more and more of an influence on the amount of currency in circulation. The major part of foreign exchange we have at present is derived from export, whereas the commodities for export are purchased by using the currency in China. Therefore, an increase in foreign exchange reserves implies an increase in the amount of currency in circulation in China. Otherwise, such an amount will correspondingly be reduced if we use foreign exchange to import commodities and withdraw currency from circulation. Moreover, the circulation of currency is affected by the fluctuation of exchange rates and prices in the international market, the situation of foreign trade operations, the utilization of international credit, and repayment of foreign debts together with interest thereon. Thus, we should also take into consideration the situation of foreign exchange receipts and expenditures when we study currency circulation.

## II. Supply and Demand of Currency

The currency in circulation is referred to as the supply of currency, which may be used to purchase commodities and pay labor rewards, and is thus the undertaker of purchasing power of society. Therefore, the greater the supply of currency, the more the demand for commodities and labor services in the market. Likewise, the lower the supply of currency, the less the market demand. In addition, it is market supply which provides both commodities and labor services to the market. Commodities must be sold in exchange for currency and labor must be rewarded by currency payments. Therefore, the demand for currency increases in the wake of increasing the market supply. Otherwise, the demand for currency will be reduced. Obviously, the supply and demand of currency correspond to market supply and demand. They are the two sides of the process of unifying the economy.

Under market mechanisms, the supply and demand of currency are directly reflected through the fluctuation of prices. The price increases when the supply of currency increases, but the supply of commodities and labor services decreases; otherwise, the price will decrease. If the price becomes stable, this generally reflects that the currency circulation is in a state of stability. If a country intervenes in economic activities or exercises planned management over such activities, it is impossible to use price to judge the relative strength of supply and demand of currency. For instance, when the country carries out direct planned management, the supply of currency is increased. A phenomenon develops in which people queue up or rush to purchase commodities. Conversely,

prices do not drop immediately and a number of commodities become unmarketable. Nevertheless, the situation of currency circulation is basically indirectly determined by price and relevant conditions related to price.

Both the situation of currency circulation and that of price are very important to the development of the economy. The stimulation for production will be absent and the economic development will slow down or even become depressed if there is a protracted reduced supply of currency and prices are protractedly below market value. Unemployment will occur and living standards will be difficult to maintain or may even become worse. If currency supply is protractedly excessive, prices will soar. Even poor quality but high cost products will become marketable. This will inevitably affect the social benefits. By bringing about sham prosperity, it promotes an abnormal development of the economy and will consequently bring about economic fluctuations. Therefore, almost all countries take the stability of currency circulation as one of their fundamental economic goals.

However, in our rapidly developing economic activities, it is almost impossible to maintain an absolutely coordinated proportion of supply of currency to its demand or an absolutely stable price. Furthermore, so long as the proportion of supply of currency to its demand does not protractedly lean to one side, it may be ideal that under certain circumstances, the supply of currency is under relatively tight control. This is because this will create a relaxed economic environment in which the market supply is slightly greater than demand, which may help eliminate production yielding few economic results, while promoting technological transformation and improving management and operations. Under different conditions, it may be more helpful if we adopt a relatively relaxed attitude toward control over currency supply. This is because this will develop a relatively tight economic situation in which market demand is slightly greater than supply, which may promote full utilization of resources, thereby accelerating economic development and heightening the consumption level.

Similarly, reform requires stable currency circulation. We must not deal with the issue in terms of absolutes. For instance, when the supply of currency is slightly tight, nobody will buy poor quality or irrationally priced products. This helps us develop a competitive environment favorable to bringing market mechanisms into play. This also helps us flexibly readjust the economic activities of enterprises by means of economic levers. Likewise, when the supply of currency is slightly excessive, this provides us the capital needed for realizing reforms, as well as helps banks at the grass-roots level flexibly regulate the currency needed for reforms and make room for capital circulation.

Obviously, due to the complications involved in currency circulation, it is highly insufficient to have a single and constant concept for making decisions. Whether we proceed from the progress of construction or that of

reforms, we have both the requirements for tight control and those for relaxed control over the supply of currency. Moreover, proceeding from our construction and reforms, they are both consistent and contradictory in terms of the particular focus on the control of currency circulation; that is, whether it should be relaxed or tight. It is impossible to find an ideal solution which satisfies all requirements. What we can do is just to select the best one after judging the importance of their advantages and shortcomings. Of course, in a given context, such best solution is either to tighten control or to take a relaxed attitude toward control, and have no ambiguity.

In other words, the best solution for dealing with the situation of currency circulation may be: 1) The supply of currency is basically coordinated with its demand, and both currency circulation and prices are stable; and 2) under this prerequisite, subject to changes in objective conditions, the proportion of supply of currency to demand is appropriately readjusted so as to obtain the most favorable economic environment for carrying out construction and reforms. Only when we strengthen the macroscopic readjustment and control can we satisfy these requirements.

### III. China's Present Situation and Issues Concerning Currency Circulation

After 1984, the annual increase in cash volume issued by China was 32 percent, while its average annual increase of deposits by enterprises was 27.5 percent, which greatly exceeded the average growth rate for production and market supply during the same period. People always put the blame for having an excessive amount of currency in circulation on the fiscal and banking sectors. For instance, they criticize the development of deficits in the fiscal sector and that banks do not have a tight control over credit. Of course, the situation of currency circulation is closely related to the work of these two sectors. But the fundamental issue is the "overheated" atmosphere. On the one hand, the scale of capital construction is too large and its pace is too rapid; and on the other, the income level of individuals grew too sharply. The rapid growth rate of capital construction brought extra heavy pressure on fiscal expenditures, promoted the need for long-term credit, and spent the capital accumulated by enterprises by retaining profits and depreciation accounting over the years. In order to ensure the availability of working capital needed for normal production growth, such enterprises could not but depend on loans whenever they could not get capital by self-financing. In most cases, the working capital required by newly established enterprises came from banks, as the financial situation of these enterprises was already tight. It is necessary to put an end to the old trend of excessively restricting consumption by raising the income of individuals. This will also obviously promote production. However, having an excessively high level of income will undermine the accumulation of enterprises and promote their need for loans, as well as limit the growth of fiscal receipts. Consequently, the fiscal sector will be greatly

threatened by deficits, while the scale of loans will become abnormally expanded. The growth rate of cash and deposits directly used for purchases and payments will be exaggerated, and thus the market demand, which is reflected by currency, will be greater than the supply of society. Therefore, we must slow the development, resolutely control the scale of capital construction, and avoid the expansion of consumption funds. Only thus can we create favorable conditions for currency circulation for construction and reforms.

As the problem of currency circulation is reflected by problems in economic development as a whole, we must depend on the joint efforts of various fronts and solve the issue through such large-scale campaigns as output increase, conservation, and an increase in revenue. To increase production, as well as to cut expenses and production costs, will increase the supply of market commodities and labor services and will, of course, help alleviate the contradiction between supply and demand of currency.

The macroscopic control of currency circulation also involves people's endurance. Sometimes, simply proceeding from the economic viewpoint, the scope of price fluctuation caused by the expanded supply of currency is not great enough to cause a serious shock in the proportion of reproduction. Furthermore, a rapid growth of currency revenue may increase the amount of actual wages received by workers. However, people may misunderstand these phenomena, which could affect economic development. For instance, the implementation of some policies and measures which are necessary for our construction and reforms will, to a certain extent, inevitably expand or tighten the supply of currency. Therefore, society cannot achieve its expected goals without paying the price of price fluctuation. Obviously, without the support of strong endurance, these policies will either create a dilemma once introduced or be put on shelf. Of course, facing such a developed social psychological state, we cannot expect that we will be able to immediately change it. However, we should prepare people for fluctuations to emerge in the course of construction and reforms, as these are inevitable. We should let them learn whether we should analyze problems or avoid contradictions. We should lead them to realize that only absolute stability is the ideal level, toward which people's mental reaction will be greatly different from the one that they are taking toward reality. Often, such a difference is the factor that determines the success of our policies and measures. Therefore, when we readjust currency circulation and carry out macroscopic control, it is very important that we create a social psychological environment marked by strong endurance.

**Decline of Yanzhijing and 'Disease of 10 Scenes'**  
OW160248 Beijing HONGQI [RED FLAG] in Chinese  
No 19, 1 Oct 87 p 47

[Article by Gong Zhigong [7895 1807 5115]]

[Text] I heard that the Yanzhijing, or the "Well of Rouge," was "in a real mess." What greeted me was well

and truly a scene of dilapidation. The winding footpath was overgrown with waist-high wild grass. In the middle of the shrubs was a dried well with a stone stela inscribed with the words "The Ancient Well of Rouge." The hexagonal pavilion next to the well too was almost enveloped in overgrowth, and dry fallen leaves were everywhere. I stood dazed for a good 10 minutes. No one was coming my way, although some people living close by were watching me, probably wondering why I came.

This "Well of Rouge" is just a very ordinary well which has long been dried up and abandoned. It became famous because it was said that the last emperor of the Chen Dynasty, who was well-known as a fatuous and indulgent ruler, had taken refuge at the bottom of this well with his favorite imperial concubine Zhang Lihua [1728 7787 5478] and his entourage and had thus managed to shake off the pursuing soldiers of the Sui Dynasty. Legend has it that ever since that time, traces of rouge show on the rim of the well if people rub it with a piece of cloth. Some people have expressed their concern about the dilapidation of the place, but it seems to me that whether or not it merits restoration by the departments of historical relics management at great cost of manpower and other resources is an issue that has yet to be further discussed.

However, we notice that in recent years many places have embarked on costly projects for the restoration of historical relics. These projects have been hailed by the press, as if such endeavors are worthy of being encouraged. This is very puzzling indeed. The fact is, some of the cultural relics are themselves of little historical value. What is more, with the passage of time and after repeated restorations and reconstruction, not even the vestiges can be found. Why are we restoring these things after several decades, several hundred years, or even thousands of years? What justification do we have? What good will it do? I am just not convinced that it is the wish of the masses of humble people to waste so much of the already deficient funds and tolerate the usurpation of their much needed land space.

I must state here that I do not object to, and indeed hope to see, the effective protection of scenic spots and historical sites. However, we should have a practical attitude. Existing historical sites should not be arbitrarily destroyed. Great importance should be attached to the protection of important relics. In fact, relics in general should be properly protected. Anyone who willfully destroys cultural relics should be dealt with in all seriousness in accordance with the law. Nevertheless, protection and reconstruction are not quite the same thing. While we ought to carry out appropriate repairs on sites that are of important historical and cultural value and are worthy of being visited as tourist spots, it is totally uncalled for to overhaul everything and reconstruct what is not even there. If we repair every temple and every Buddha's image, I am afraid that sooner or later the dead will rise to dominate us.

After the collapse of the Leifeng Pagoda on 25 September 1924, Lu Xun wrote two articles, namely "On the Collapse of the Leifeng Pagoda" and "More on the Collapse of the Leifeng Pagoda." The first article said that the pagoda "deserved" what befell it because it symbolized the forces of feudalism. Since it does not address the question of how historical relics should be treated, we shall not look at this article in detail. In the second article, Lu Xun, addressing himself to the lament that "the 10 scenes of the West Lake are now incomplete," criticized the "great number of people" which "does not include the entirety of the 400 million compatriots" for their "disease of 10 scenes." According to Lu Xun, this is in fact a conservative mentality. These people were content with "a life of total stagnation" and "attempted to restore the old while sitting in the middle of one's own debris." He said: "In an age of affluence, a Leifeng Pagoda may be erected anew if people have a relapse of the disease of 10 scenes. Who knows?" Is it true that "a great number of people" among us are showing symptoms of the "disease of 10 scenes"? We are really in an age of affluence. In fact, many places still have not completely resolved the problem of feeding their populace. We have a huge population and a poor foundation. We must bear this in mind in all matters. Thus, on the question of the protection of historical and cultural relics, we should put the emphasis on management and carry out repairs and reconstruction with prudence. We must not get carried away and spend money like water, thinking that this will bring us modernization. Otherwise, Mr Lu Xun might feel inclined to write his "Third Discourse on the Collapse of the Leifeng Pagoda" if he were still with us!

**People Who Deserve the Respect of the Whole Society—After Reading 'The "Third World" of the No 1 Railway Middle School'**  
OW160206 Beijing HONGQI [RED FLAG] in Chinese  
No 19, 1 Oct 87 p 48

[Article by Geng Ming [5105 6802]; "The 'Third World' of the No 1 Railway Middle School" written by Gao Xiang [7559 5046] and carried in HUOHUA, No 9, 1987]

[Text] The novella "The 'Third World' of the No 1 Railway Middle School" is a masterpiece that reflects the real life of teachers. Against the background of the No 1 Railway Middle School, a school with a glorious revolutionary tradition, the story truthfully and vividly recounts the life of six teachers of the No 1 language group, whose standing in the school is like that of the "third world." The author soberly and thoughtfully gives his artistic interpretation of the difficulties encountered by the teachers as well as the practical problems of their ideological development as he has observed and accurately and profoundly molds the group image of teachers who dedicate themselves to raising the scientific and educational standards of the whole nation. It reflects the social problem of how to achieve respect for teachers and the placing of importance on education, and gives the

message that teachers should rid themselves of their chronic maladies and march in step with the times. It embodies the primary objective of teachers—that is, to train socialist new people "with aspirations, moral integrity, education, and a sense of discipline" for the party and state—and appeals to all quarters of society for assistance in helping the teachers solve their work and livelihood problems.

Like people of all other walks of life, teachers have all kinds of desires and needs, troubles and joys, as well as contradictions and conflicts about life itself. From "The 'Third World' of the No 1 Railway Middle School," we not only can get some idea of the noble spirit of teachers who seek neither fame nor wealth, never bargain away their moral integrity, give no thought to personal safety or gains, and conscientiously and loyally discharge their duties, but can clearly see their indelible and touching artistic images.

Mr Xin is the most experienced and long-serving teacher of the "third world" who sets great store by personal integrity. Yet this honorable old teacher with more than 30 years' teaching experience was beaten up for no apparent reason by his ruffian neighbor. This has enraged the members of the entire "third world." They demand that the culprit who insulted and abused a teacher be severely punished. Just as victory is in sight, Mr Xin "privately settles" the matter, for he is afraid that the culprit will cut off the power supply to the school. All sorts of feelings welled up in my mind as I read about this teacher who is so admirable in his personal integrity yet so pitiable in his pedantic ideas.

Compared with Mr Xin, Chi Congwen, though also "pedantic," is more lovable in his "pedantic ways." Admittedly he is every bit the poor teacher who is very much concerned about face-saving and having an impeccable personal reputation, but he is more tolerant of the contemporary way of life and meaning of existence. It is a pity that his tolerance is too frail and cannot withstand any turbulence. His much ridiculed pedantry did not win him any love and respect until after he dropped unconsciousness with his ultimate sorrow beside his desk. It was then that everyone was overcome with grief. From the person of Chi Congwen, we can vaguely see the gradual dissipation of something passive in the structure of Chinese traditions and culture, and the gradual building and development of new concepts and new ideas. Regrettably, this development has been suppressed by our economic poverty, so much so that Chi Congwen was not in a position to effect what could have been the most glorious transformation in his ordinary life.

The female leader of the group is the decisive person of the "third world." She is impartial and sincere and enjoys great prestige in the "third world." She understands how other people feel and sympathizes with the difficulties of the teachers. When others are in difficulties or suffer from injured self-respect, she is always there to protect the weak. She is a middle-aged teacher whose

character is blended with warmth, trust, wisdom, strength, and other elements. She does not grumble, neither does she say high-sounding things. She just tries step by step to resolve the contradictions in life in a realistic manner. The portrayal of this character gives one the impression that she is closer to the reality of life and hence of greater cognitive and aesthetic value, because the author, rather than resorting to exaggeration, has based his characterization on life itself, blending it with emotions and his own experience in life.

Dong Shichang is much more sober and alert than his idealistic colleagues described above. Although he considers himself the leader of the "third world," he is fed up with the idea that teachers should be content with being poor and not concern themselves with worldly matters, and he resents people saying that weakness is an attribute of teachers, that teachers are incapable of doing anything that takes courage. Thus, he makes a resolute break with the "third world" which stresses "moral integrity" and "justice," and becomes what he detested in the past—stressing "profits" at the expense of "justice." While it is true that Dong Shichang's "betrayal" has something to do with his lack of strong principles, can we not deduce anything more from his behavior?

This novel based on profound and richly variegated life has succeeded in breaking away from the old model of stereotyped literary works about teachers, which make no inward examination of one's own self while trying to educate others. But what is more commendable about it is that through practical realism and artistic realism this novel unfurls before us the most sensitive contradictions and conflicts in the work and livelihood of teachers of today. Thus, it is only natural that the novel is well received by teachers and the general readers alike.

#### Struggling for Democracy, Being Dedicated to Science—A Brief Introduction to 'Biography of Ma Yinchu'

OW160128 Beijing HONGQI [RED FLAG] in Chinese  
No 19, 1 Oct 87 inside back cover

[Book review by Jing Yuan [0079 0626]]

[Text] Mr Ma Yinchu [7456 1377 0443] was a noted economist and educator of China as well as a pioneer of population theories, and he enjoyed high prestige both at home and abroad. Born in the last year of the Qing Dynasty, he lived through the 1911 Revolution, the self-enthronement of Yuan Shikai, the civil wars among warlords, and the domination of the Kuomintang, and took part in construction in new China. He indeed experienced many vicissitudes of life. "The Biography of Ma Yinchu" published by the Beijing Press truthfully recounts the life of Elder Ma. It shows truthfully and vividly how he defied brute force, feared no sacrifice, and fought courageously for democracy in the dark old China, and how he always upheld the truth and never

stooped to flattery. He was serious, scientific, and realistic in his approach to study and was by nature straightforward and sincere. By his own actions, Ma Yinchu proved himself to be a patriotic and upright scholar, a democracy fighter who deserves to be cherished in people's minds forever, the outstanding representative of intellectuals of the older generation, and a model for intellectuals of the younger generation to learn from.

What matters most in a biography is that it tell the truth. In order to be truthful and trustworthy, the most important problem confronting the biographer is to have an abundance of materials on all aspects. The three co-authors of this biography all studied under Elder Ma. Some of them were related to him and had lived close to him for decades, and thus knew his history, work style, and character very well. In order to make this biography a success, they spent years collecting materials from all possible sources. They not only looked through stacks of historical records, but carried out investigations and interviews in places where he used to live or work on several occasions, in order to obtain first-hand information. Instead of simply enumerating the wealth of information on hand, they carefully selected their materials, discarded the dross and kept the essential, highlighted what was important, and combined details with brevity. In their writing, they always used historical facts as the basis and never included any fictitious details. Thus, in terms of being all-round, rich, factual, and accurate in its materials, this book certainly ranks among the best as far as books studying and introducing Elder Ma are concerned.

Another important factor in the truthfulness and trustworthiness of a biography is that it must be fair and equitable in its appraisal of the merits and demerits of the persons concerned. "The Biography of Ma Yinchu" has done quite well in this respect. Although the co-authors wrote this biography with their respect and love for Elder Ma, they also upheld the historical materialist approach and truthfully revealed the life of Elder Ma without overappraising his merits or glossing over his mistakes. For example, while giving a full and vivid account of his lifelong struggle for truth, his courage in defying brute force and making sacrifices, his noble character, his serious and scientific approach to study, as well as his outstanding achievements in the academic world, this biography also gives a truthful and appropriate appraisal of the bourgeois academic viewpoint in his early economic concepts, along with his skepticism and criticism of Marxism. It has thus provided truthful and trustworthy materials for people of later generations to fully understand Elder Ma and his academic achievements.

Besides giving a full account of Mr Ma Yinchu's life, the biography also devotes much space to the evaluation of his political ideas and economic concepts, including the proposal, development, and a gist of his population theory. This makes the book different from ordinary

biographies. With its rich theoretical flavor and academic value, this book should prove useful for the study of Ma Yinchu's ideological development.

This biography is not merely rich in content. It is also very readable because it uses simple, unadorned language that reads very smoothly. It is clearly divided in chapters and sections. Narration is interspersed with comments, and important points are highlighted. In addition, there are several valuable photographs. These, together with Comrade Xu Deheng's [6079 1795 3801] inscriptions, which were written in bold, vigorous strokes, and his foreword, which was filled with emotion, make this biography very touching to read.

This book also has its shortcomings. In my opinion, this is mainly the result of insufficient research into the changes in Ma Yinchu's early ideological development and on the historical and ideological background of his shift in political stand. Consequently, the account is not thorough and detailed enough. Too little has been said on the inner world of Elder Ma and on his social dealings.

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